广州农商银行
GUANGZHOU RURAL COMMERCIAL BANK

廣州農村商業銀行股份有限公司
Guangzhou Rural Commercial Bank Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 1551

GLOBAL OFFERING

Joint Sponsors

CICC 中金香港证券 | CMS 招商證券國際 | 建银国际 CCB International | 農銀國際 ABC INTERNATIONAL

Financial Advisor

AMTD 尚乘

Joint Global Coordinators

CICC 中金香港证券 | CMS 招商證券國際 | 農銀國際 ABC INTERNATIONAL | 建银国际 CCB International | AMTD 尚乘 | BOC INTERNATIONAL | 招银国际 CMB INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

CICC 中金香港证券 | CMS 招商證券國際 | 農銀國際 ABC INTERNATIONAL | 建银国际 CCB International | AMTD 尚乘 | BOC INTERNATIONAL | 招银国际 CMB INTERNATIONAL | 廣發証券(香港)經紀有限公司 GF SECURITIES (HONG KONG) BROKERAGE LIMITED

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

广州农商银行
GUANGZHOU RURAL COMMERCIAL BANK

Guangzhou Rural Commercial Bank Co., Ltd.*
廣州農村商業銀行股份有限公司*

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

GLOBAL OFFERING

Number of Offer Shares in the Global Offering	**:**	**1,582,900,000 H Shares (comprising 1,439,000,000 H Shares to be offered by the Bank and 143,900,000 Sale Shares to be offered by the Selling Shareholders, subject to the Over-allotment Option)**
Number of Offer Shares in the International Offering	**:**	**1,464,182,000 H Shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**118,718,000 H Shares (subject to adjustment)**
Maximum Offer Price	**:**	**HK$5.27 per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong Dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**1551**

Joint Sponsors

CICC 中金香港证券 CMS 招商證券國際 建银国际 CCB International 農銀國際 ABC INTERNATIONAL

Financial Advisor

AMTD 尚乘

Joint Global Coordinators

CICC 中金香港证券 CMS 招商證券國際 農銀國際 ABC INTERNATIONAL 建银国际 CCB International AMTD 尚乘
BOC INTERNATIONAL 招银国际 CMB INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

CICC 中金香港证券 CMS 招商證券國際 農銀國際 ABC INTERNATIONAL 建银国际 CCB International AMTD 尚乘
BOC INTERNATIONAL 招银国际 CMB INTERNATIONAL 廣發証券(香港)經紀有限公司 GF SECURITIES (HONG KONG) BROKERAGE LIMITED

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

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

The Offer Price is expected to be fixed by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) on the Price Determination Date, which is expected to be on or around Tuesday, June 13, 2017 (Hong Kong time) and, in any event, not later than Monday, June 19, 2017 (Hong Kong time). The Offer Price will be not more than HK$5.27 per H Share and is currently expected to be not less than HK$4.99 per H Share.

Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$5.27 per Hong Kong Offer Share, unless otherwise announced, together with a brokerage fee of 1%, a Hong Kong Stock Exchange trading fee of 0.005% and an SFC transaction levy of 0.0027%, subject to refund if the Offer Price is lower than HK$5.27.

The Joint Representatives (for themselves and on behalf of the Underwriters) may, with our consent (on behalf of ourselves and the Selling Shareholders), reduce the number of Offer Shares being offered in the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares being offered in the Global Offering and/or the indicative offer price range will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our website at www.grcbank.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For further information, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

If, for any reason, the Offer Price is not agreed on or before Monday, June 19, 2017 between the Joint Representatives (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders), the Global Offering will not proceed and will lapse.

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

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

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

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

June 8, 2017

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in English in South China Morning Post and in Chinese in Hong Kong Economic Times.

Latest time to complete electronic applications under **White Form eIPO** service through the designated website <u>**www.eipo.com.hk**</u>[2]	11:30 a.m. on Tuesday, June 13, 2017
Application lists open[3]	11:45 a.m. on Tuesday, June 13, 2017
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Tuesday, June 13, 2017
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Tuesday, June 13, 2017
Latest time to complete payment of **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, June 13, 2017
Application lists of the Hong Kong Public Offering close	12:00 noon on Tuesday, June 13, 2017
Expected Price Determination Date	Tuesday, June 13, 2017
Announcement of the Offer Price	Monday, June 19, 2017
(1) Announcement of: • the level of application in the Hong Kong Public Offering; • the level of indication of interest in the International Offering; and • the basis of allocation of the Hong Kong Offer Shares to be published (a) in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese); and (b) on our website at <u>**www.grcbank.com**</u>[5] and the website of the Hong Kong Stock Exchange at <u>**www.hkexnews.hk**</u>[6]	Monday, June 19, 2017
(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) to be available through a variety of channels (please refer to "How to Apply for Hong Kong Offer Shares—11. Publication of Results") from	Monday, June 19, 2017
(3) Result of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) will be available at <u>**www.iporesults.com.hk**</u> with a "search by ID" function	Monday, June 19, 2017

H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on[7]	Monday, June 19, 2017
White Form e-Refund payment instructions/refund checks in respect of wholly or partially unsuccessful applications to be dispatched on[7][8][9] . . .	Monday, June 19, 2017
Dealings in H Shares on the Hong Kong Stock Exchange expected to commence	9:00 a.m. on Tuesday, June 20, 2017

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

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

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, June 13, 2017, the application lists will not open on that day. See "How to Apply for Hong Kong Offer Shares—10. Effect of Bad Weather on the Opening of the Application Lists."

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

(5) None of the website or any of the information contained on the website forms part of this prospectus.

(6) The announcement will be available for viewing on the Hong Kong Stock Exchange's website at www.hkexnews.hk.

(7) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all required information in their Application Forms may collect refund checks (where applicable) and H Share certificates (where applicable) in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, June 19, 2017. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our H Share Registrar, Computershare Hong Kong Investor Services Limited. Uncollected refund checks and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. For details of the arrangements, see "How to Apply for Hong Kong Offer Shares."

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

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

The H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Tuesday, June 20, 2017. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENTS

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

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

CONTENTS

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

OVERVIEW

Our Bank is a leading rural commercial bank in China and ranked first among rural commercial banks in Guangdong Province in terms of total assets, net assets, deposits, loans, operating income and net profits as of and for the year ended December 31, 2016. According to "Top 1000 World Banks 2016" by *The Banker*, we ranked 203rd among commercial banks in the world, 30th among commercial banks in China and fourth among rural commercial banks in China in terms of tier-one capital. According to "Top 500 Chinese Enterprises in 2016 (「2016中國企業500強」) published by China Enterprise Confederation and China Enterprise Directors Association, we ranked 441st in terms of operating income, up 32 positions as compared to that in 2015. Moreover, we are the only rural commercial bank that has been listed in such ranking for two consecutive years. As of December 31, 2016, our Bank ranked third and seventh among all commercial banks in Guangzhou in terms of deposits and loans, with a market share of 10.0% and 7.2%, respectively, according to PBoC Guangzhou Branch.

We have operated our business in a prudent manner with rigorous risk management. Our total assets increased from RMB466.6 billion as of December 31, 2014 to RMB661.0 billion as of December 31, 2016, representing a CAGR of 19.0%. Our operating income increased from RMB13,859 million in 2014 to RMB15,240 million in 2016. As of December 31, 2016, our NPL ratio was 1.81%, lower than the average of 2.49% of rural commercial banks in China.

We offer a variety of standardized and differentiated banking products and services to our customers through our diversified marketing networks. As of December 31, 2016, our Bank had, excluding the outlets of our Zhujiang County Banks, a total of 625 outlets, of which 618 were located in Guangzhou, ranking first among all commercial banks in terms of the number of outlets in Guangzhou. As of the same date, our Zhujiang County Banks had a total of 142 outlets. Our outlets primarily spread across urban and rural areas of Guangzhou. As of December 31, 2016, the number of our Bank's outlets mainly serving rural areas and outskirts of Guangzhou, representing approximately 85.4% of our Bank's total outlets, ranked top among all commercial banks in Guangzhou. Furthermore, as of December 31, 2016, our Bank also had five branches and two sub-branches located in the cities outside Guangzhou, namely Foshan, Qingyuan, Heyuan, Zhaoqing and Zhuhai in Guangdong Province. In order to expand our marketing channels and improve customer experience, we also provide e-banking services through our online banking, WeChat banking, mobile banking, self-service banking, VTM and telephone banking. We have also established featured Internet financial service platforms comprising of, among others, direct banking, online financing platforms, e-mall, online payment platform, which offer comprehensive 24-hour services to our customers.

In order to further expand our geographical coverage and broaden our integrated financial product and service offerings, we had established 24 Zhujiang County Banks, as our subsidiaries, in nine provinces and municipality in China as of December 31, 2016, and one wholly-owned subsidiary, Zhujiang Financial Leasing Co., Ltd. in December 2014, which enable us to provide cross-region and cross-financial-sector services to a wider range of customers.

We have successfully built a diversified profit model, which has laid a solid foundation for the sound and rapid development of our business. In 2016, our net fee and commission income was RMB2,976 million, accounting for approximately 19.5% of our operating income, which was higher than the average of approximately 12.7% of the Hong Kong Listed City/Rural Commercial Banks for the same year. We believe we have established ourselves as a market leader among all rural commercial banks in China for the development of investment banking, wealth management and asset custody businesses. In 2015, we issued direct financing instruments through wealth management products. We believe that we are the first rural commercial bank in China for the issuance of such products. We successfully issued our first SME credit asset securitization product in the same year. According to the "Bank's Capability in Wealth Management Ranking" published by PY

Standard for 2016, we ranked first among all rural commercial banks in China, in terms of overall capabilities in wealth management, products offering, variety of wealth management products and risk management. In addition, we are the first rural commercial bank in China qualified to provide securities investment fund custody services.

OUR PRINCIPAL BUSINESSES

Our principal businesses include corporate banking, retail banking and financial market businesses. The following table sets forth the contribution of each business segment to our operating income for the years indicated.

	For the year ended December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Corporate Banking Business	5,311	38.3%	5,977	36.9%	6,618	43.4%
Retail Banking Business	5,940	42.9	6,161	38.0	5,972	39.2
Financial Market Business	2,650	19.1	3,979	24.5	2,621	17.2
Others[(1)]	(42)	(0.3)	96	0.6	29	0.2
Operating income	**13,859**	**100.0%**	**16,213**	**100.0%**	**15,240**	**100.0%**

(1) Consist of incomes that are not directly attributable to any specific business segment.

For details of our businesses, see "Business—Our Principal Businesses" from page 180 to page 229 of this prospectus.

OUR COMPETITIVE STRENGTHS

Our key competitive strengths include:

- A leading rural commercial bank in China, ranking first in Guangdong Province, with distinct geographic advantages;
- A successful transformation to a diversified profit model and rapid growth in our fee- and commission-based business;
- Distinctive Sannong financial services based on our strong local presence and profound local insights;
- A leading financial services provider to small and micro enterprises and private business owners;
- A culture of innovation featuring a rapid development in our Internet finance business;
- A comprehensive and prudent risk management system ensuring our sound asset quality; and
- Long-term and steady support of our Shareholders, experienced management team and market-oriented performance evaluation system.

For details of our strengths, see "Business—Our Competitive Strengths" from page 167 to page 176 of this prospectus.

OUR STRATEGIES

Our Group's strategic vision is to become a financial holding group with strong competitiveness and influence and hold a wide range of licenses and qualifications that enable us to operate cross-regions and cross-financial-sectors. In order to fulfill our vision, we pursue our strategies of developing comprehensive retail banking, investment banking, asset management and interbank banking with the support of an integrated platform (大零售、大投行、大資管、大同業、大平台), to achieve synergies and cross-selling among various business segments to offer "one-stop, full-cycle and comprehensive" financial solutions in response to customers' needs. These initiatives will further transform us from a traditional commercial bank into an integrated financial service provider. We plan to achieve our goal through the implementation of following measures:

- Developing into an integrated and comprehensive financial service provider;
- Retail banking business: striving to become a market leader in regional retail financial business;
- Corporate banking business: building an "asset-light" corporate banking business;

- Financial market business: establishing a strong and distinctive interbank financial service platform;
- Fully committed to a comprehensive risk management system and establishing a long-term risk control mechanism;
- Further developing our Internet finance business to enhance our comprehensive service capability; and
- Deepening the reform of our comprehensive performance management system and thoroughly implementing our talents cultivation strategy.

For details of our strategies, see "Business—Our Strategies" from page 176 to page 180 of this prospectus.

RISK FACTORS

There are certain risks and uncertainties relating to the investment in our Shares, including but not limited to:

- If we are unable to effectively maintain the quality of our loan portfolio, our business, financial condition and results of operations may be materially and adversely affected.
- Our business and operations are concentrated in Guangzhou, and we face uncertainties associated with national and local government policies and measures which are adopted to promote economic development in Guangzhou.
- Our allowance for impairment losses on loans may not be sufficient to cover the possible losses on our loan portfolio in the future.
- Our loans are highly concentrated on certain industries and borrowers, and the deterioration of their financial condition may have material adverse effect on our asset quality, financial condition and results of operations.
- Changes in interest rates may have a significant impact on our financial condition and results of operations.
- We are subject to risks relating to our investments in debt securities.
- We are subject to risks arising from our investments in other debt instruments issued by financial institutions, including but not limited to asset management plans, trust fund plans and wealth management products.
- We are subject to risks relating to wealth management products issued to our customers.
- We may have difficulties in meeting capital adequacy and other regulatory requirements in the future.
- We face increasingly intensive competition in China's banking industry.
- The PRC banking industry is highly regulated, and we are susceptible to the changes in laws, regulations and government policies.

For details of the risk factors relating to the investment in our Shares, see "Risk Factors" from page 26 to page 58 of this prospectus. You are advised to read that section in its entirety before you decide to invest in our Shares.

OUR INVESTMENT BUSINESS

Our investment business primarily involves our investment in debt securities and other debt instruments issued by financial institutions, namely asset management plans, trust fund plans and wealth management products, as well as our trading in certain debt securities and money market funds. As of December 31, 2014, 2015 and 2016, our net holding of financial investments amounted to RMB94,728 million, RMB137,694 million and RMB190,073 million, respectively, and our financial assets at fair value through profit or loss amounted to RMB1,470 million, RMB51,810 million and RMB35,980 million, respectively, together represented 20.6%, 32.5% and 34.2%, respectively, of our total assets as of the same dates. The following table sets forth, as of the dates indicated, a breakdown of the total balance of our holding of financial investments and financial assets at fair value through profit or loss into standard investment products and non-standard credit assets.

	As of December 31,											
	2014				2015				2016			
	Amount	% of total	% of net assets	% of total assets	Amount	% of total	% of net assets	% of total assets	Amount	% of total	% of net assets	% of total assets
	(in millions of RMB, except percentages)											
Standard investment products[(1)]	87,215	90.7%	267.6%	18.7%	182,134	96.1%	510.3%	31.2%	214,409	94.8%	566.6%	32.4%
Non-standard credit assets[(2)]	8,983	9.3	27.6	1.9	7,370	3.9	20.6	1.3	11,644	5.2	30.8	1.8
Total[(3)]	**96,198**	**100.0%**	**295.2%**	**20.6%**	**189,504**	**100.0%**	**530.9%**	**32.5%**	**226,053**	**100.0%**	**597.4%**	**34.2%**

(1) Represents our holding of standard investment assets, such as debt securities, for investment and trading purposes.
(2) Represents our holding of non-standard credit assets for investment and trading purposes, primarily including financing to one or multiple identifiable borrowers or portfolios of credit assets with lending nature.
(3) Represents the total balance of our financial investments and financial assets at fair value through profit or loss.

Income from our investment business primarily include interest income from our financial investments, net trading income and net gains from financial investments, which in aggregate amounted to RMB6,173 million, RMB7,497 million and RMB8,626 million in 2014, 2015 and 2016, respectively. The following table sets forth, for the years indicated, a breakdown of our income from our investment business.

	For the year ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Interest income from financial investments	6,076	5,988	7,189
Net trading income	95	551	986
Net gains from financial investments	2	958	451
Total	**6,173**	**7,497**	**8,626**

The following table sets forth, for the years indicated, a breakdown of our income from our holding of standard investment products and non-standard credit assets and their respective average rate of return.

	For the year ended December 31,								
	2014			2015			2016		
	Amount	% of total	Average rate of return[(1)]	Amount	% of total	Average rate of return[(1)]	Amount	% of total	Average rate of return[(1)]
	(in millions of RMB, except percentages)								
Standard investment products[(2)]	4,953	80.2%	6.73%	6,813	90.9%	5.06%	8,133	94.3%	4.10%
Non-standard credit assets[(3)]	1,220	19.8	4.95	684	9.1	8.37	493	5.7	5.19
Total[(4)]	**6,173**	**100.0%**	**6.28%**	**7,497**	**100.0%**	**5.25%**	**8,626**	**100.0%**	**4.15%**

(1) Calculated by dividing (i) our income from the corresponding assets in the year, by (ii) the average balance of these assets at the beginning and the end of the year. The average rate of return for our financial investments backed by non-standard credit assets in 2014 is substantially lower than those in 2015 and 2016, because we disposed certain of these financial investments in 2014 prior to their maturity due to tightened regulatory restrictions, resulting in a substantial difference between the daily average balance and the average of the balances at the beginning and the end of 2014.
(2) Represents income from our holding of standard investment products for both investment and trading purposes.
(3) Represents income from our holding of non-standard credit assets for both investment and trading purposes.
(4) Represents our total income from our investment business for the year, including our interest income, net trading income and net gains on financial investments.

In 2014, 2015 and 2016, our income from financial investments backed by non-standard credit assets represented 19.8%, 9.1% and 5.7%, respectively, of our total income from our investment business. The decrease in our income from these financial investments as a percentage of our total income from our investment business was primarily due to our increased allocation of funds to standard investment products and an overall decrease in our holding of financial investments backed by non-standard credit assets as a result of tightened regulatory restrictions, as well as a decrease in the rates of return on these financial investments. Given that these financial investments backed by non-standard credit assets remained a low percentage of our investments business, and our income from these financial investments continued to decrease as a percentage of our total income from our investment business, we believe that these financial investments do not constitute a significant part of our investment business. For details, see "Business—Our Principal Business—Financial Market Business—Major Products and Services— Investment Business" from page 200 to page 214 of this prospectus.

ZHUJIANG COUNTY BANKS

To expand our business operations nationwide, we have established 24 Zhujiang County Banks in nine provinces and municipality, including Beijing, Guangdong Province, Liaoning Province, Shandong Province, Henan Province, Sichuan Province, Jiangsu Province, Hunan Province and Jiangxi Province, which has enhanced our internal resources-sharing and promoted our business collaboration. In compliance with the requirements of CBRC, our Bank upholds the independent legal status and respect the independent operation of Zhujiang County Banks. Each of the Zhujiang County Banks, as a subsidiary, is an independent legal entity regulated by CBRC. Our Bank strives to maintain an autonomous operation of the Zhujiang County Banks in a moderate level. Each of the Zhujiang County Banks is different in terms of its respective geographical locations, target market, customer base, culture and product offerings and also in terms of its number of employees and outlets. Zhujiang County Banks generally have smaller business scale and offer fewer products and services than our Bank. Some of the Zhujiang County Banks are in early stage of development and it may take time before they can generate profits. Our Bank believes an autonomous operation business model would enable the Zhujiang County Banks to leverage their extensive local networks and long-lasting local customer relationships, and to become more responsive to market changes through greater flexibility in customizing their products and services to the local markets, so as to expand client coverage and enhance profitability. Although our Bank does not directly participate in the business operation of Zhujiang County Banks, our Bank provides support and guidance to, and supervises when necessary, the operation of these Zhujiang County Banks in respect of their respective risk management, internal control, information technology, financial reporting, strategic planning, company name, brand image and human resources.

As an independent legal entity financial institution, each of the Bank and the Zhujiang County Banks is subject to individual regulation by CBRC. Each Zhujiang County Bank, as well as all of the Zhujiang County Banks in aggregate, represented an insignificant percentage to our consolidated financial statements. For details of Zhujiang County Banks, see "Business—Our Principal Businesses—Zhujiang County Banks" from page 216 to page 229 of this prospectus.

DEFECTIVE TITLES OF CERTAIN OF OUR LAND AND PREMISES

As of the Latest Practicable Date, we owned 1,033 premises with an aggregate GFA of approximately 665,818.2 square meters in the PRC. We are yet to be granted the land use right certificates and/or building ownership certificates of 480 premises with an aggregate GFA of approximately 303,193.5 square meters (representing approximately 45.5% of the total GFA of the properties that we owned). In addition to the land occupied by these premises, we owned nine parcels of land in the PRC with an aggregate site area of approximately 32,458.3 square meters without construction, of which eight parcels of land with approximately 25,582.9 square meters in total are subject to confiscation by the government. If we were required to relocate any of our places of business due to defective titles of such properties, we may have additional relocation costs and loss of incomes. We may also incur costs or damages from the confiscation of properties. For details, please see "Business—Properties" from page 240 to page 249 of this prospectus and "Risk Factors—Risks relating to Our Business—Issues relating to land use rights and building ownership may adversely affect our ability to occupy and use certain properties owned by us and/or leased from third parties" from page 36 to page 37 of this prospectus.

SUMMARY HISTORICAL FINANCIAL INFORMATION

You should read the summary historical financial information set out below in conjunction with our financial information included in the Accountants' Report set out in Appendix I to this prospectus, which are prepared in accordance with IFRS, and the sections headed "Assets and Liabilities" and "Financial Information" of this prospectus. The consolidated income statements for the years ended December 31, 2014, 2015 and 2016 and the consolidated statements of financial positions as of December 31, 2014, 2015 and 2016 set out below have been derived from the Accountants' Report set out in Appendix I to this prospectus.

Summary Historical Consolidated Income Statement Data

The following table sets forth, for the years indicated, our consolidated income statements.

	For the year ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Interest income	23,360	24,087	23,386
Interest expense	(11,354)	(12,491)	(12,715)
Net interest income	**12,006**	**11,596**	**10,671**
Fee and commission income	1,889	3,048	3,192
Fee and commission expense	(147)	(158)	(216)
Net fee and commission income	**1,742**	**2,890**	**2,976**
Net trading income	95	551	986
Net gains on financial investments	2	958	451
Other income, gains or losses	14	218	156
Operating income	**13,859**	**16,213**	**15,240**
Operating expenses	(5,283)	(5,773)	(5,457)
Provisions for impairment losses	(1,522)	(4,011)	(3,260)
Profit before tax	**7,054**	**6,429**	**6,523**
Income tax expense	(1,573)	(1,429)	(1,417)
Net profit	**5,481**	**5,000**	**5,106**

Our net trading income increased significantly from RMB95 million in 2014 to RMB551 million in 2015, which further increased by 78.9% to RMB986 million in 2016, primarily due to an increase in the size of our trading portfolio. Our net gains on financial investments increased significantly from RMB2 million in 2014 to RMB958 million in 2015, which decreased by 52.9% to RMB451 million in 2016. The relatively large amount of our net gains on financial investments in 2015 was primarily attributable to the net gains recorded on our disposal of certain available-for-sale financial assets under favorable market conditions in 2015. For detailed discussion on our results of operations, see "Financial Information" from page 382 to page 426 of this prospectus.

Summary Historical Consolidated Statement of Financial Position Data

The following table sets forth, as of the dates indicated, our consolidated statements of financial position.

	As of December 31,		
	2014	2015	2016
	(in millions of RMB)		
Assets			
Cash and balances with central bank	78,636	82,151	83,023
Deposits with banks and other financial institutions	32,226	49,482	18,381
Placements with banks and other financial institutions	10,940	1,687	3,911
Financial assets at fair value through profit or loss	1,470	51,810	35,980
Reverse repurchase agreements	60,961	34,177	79,963
Loans and advances to customers	180,720	216,780	237,935
Financial investments	94,728	137,694	190,073
Property and equipment	2,228	2,098	2,025
Deferred income tax assets	1,298	2,001	3,273
Other assets(1)	3,401	4,927	6,387
Total assets	**466,608**	**582,807**	**660,951**
Liabilities			
Due to central bank	600	1,006	537
Deposits from banks and other financial institutions	42,017	104,063	33,581
Placements from banks and other financial institutions	7,000	1,000	1,798
Financial liabilities at fair value through profit or loss	—	—	—
Repurchase agreements	8,643	11,406	48,598
Due to customers	354,439	391,062	423,742
Income tax payable	327	1,077	1,218
Debt securities issued	12,522	21,677	92,295
Deferred income tax liabilities	1	—	—
Other liabilities(2)	8,472	15,820	21,342
Total liabilities	**434,021**	**547,111**	**623,111**

	As of December 31,		
	2014	2015	2016
	(in millions of RMB)		
Equity			
Share capital	8,153	8,153	8,153
Reserves	12,661	14,843	15,380
Retained profits	9,847	10,782	12,312
Equity attributable to equity holders of our Bank	30,661	33,778	35,845
Non-controlling interests	1,926	1,918	1,995
Total equity	**32,587**	**35,696**	**37,840**
Total liabilities and equity	**466,608**	**582,807**	**660,951**

(1) Consists primarily of interest receivable, repossessed assets, and receivables and prepayments.

(2) Consists primarily of interest payable, borrowings from other banks and salaries, bonuses, allowances and subsidies payable.

The following table sets forth, as of the dates indicated, the distribution of our corporate loans by product type.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Working capital loans	79,105	66.1%	94,332	64.4%	89,105	58.4%
Fixed asset loans	40,282	33.6	44,918	30.7	52,528	34.4
Financial lease receivables	—	—	6,915	4.7	10,633	7.0
Others(1)	384	0.3	256	0.2	301	0.2
Total corporate loans	**119,771**	**100.0%**	**146,421**	**100.0%**	**152,567**	**100.0%**

(1) Consists of advances incurred under bank acceptances, guarantees issued and letters of credit.

The table below sets forth, as of the dates indicated, the distribution of our personal loans by product type.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Residential mortgage loans	25,164	40.8%	26,882	37.0%	34,016	41.8%
Personal business loans	29,026	47.1	32,566	44.8	28,946	35.6
Personal consumption loans	4,597	7.5	8,971	12.3	11,936	14.7
Credit card balances	2,863	4.6	4,261	5.9	6,430	7.9
Total personal loans	**61,650**	**100.0%**	**72,680**	**100.0%**	**81,328**	**100.0%**

The following table sets forth, as of the dates indicated, the components of our financial investments.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Debt securities	53,959	57.0%	75,749	54.9%	83,547	43.8%
Asset management plans	29,795	31.5	55,296	40.1	97,492	51.2
Trust fund plans	9,491	10.0	5,695	4.1	6,210	3.3
Wealth management products issued by other financial institutions	1,432	1.5	1,261	0.9	3,201	1.7
Equity investments	41	—	41	—	41	—
Others(1)	10	—	10	—	10	—
Total financial investments, gross	**94,728**	**100.0%**	**138,052**	**100.0%**	**190,501**	**100.0%**
Less: allowance for impairment losses	—		(358)		(428)	
Total financial investments, net	**94,728**		**137,694**		**190,073**	

(1) Represents our subscription of the Asia Financial Cooperation Association Risk Cooperative Fund (亞洲金融合作聯盟風險合作基金).

Our gross financial investments increased by 45.7% from RMB94,728 million as of December 31, 2014 to RMB138,052 million as of December 31, 2015, which further increased by 38.0% to RMB190,501 million as of December 31, 2016, primarily attributable to a significant increase in our holding of asset management plans, and, to a lesser extent, an increase in our holding of debt securities.

For detailed discussions on the components of and changes in our assets and liabilities, see "Assets and Liabilities" from page 336 to page 381 of this prospectus.

Selected Financial Ratios

The following table sets forth, for the years indicated or as of the dates indicated, our selected financial ratios on a consolidated basis.

	For the year ended December 31,		
	2014	**2015**	**2016**
Profitability indicators			
Return on average total assets(1)	1.30%	0.95%	0.82%
Return on average equity(2)	18.16%	14.65%	13.89%
Net interest spread(3)	2.67%	2.31%	1.99%
Net interest margin(4)	2.91%	2.50%	1.98%
Net fee and commission income to operating income	12.6%	17.8%	19.5%
Cost-to-income ratio(5)	30.95%	28.37%	32.77%

(1) Calculated by dividing net profit for the period by average balance of total assets at the beginning and the end of the period.
(2) Calculated by dividing net profit for the period by average balance of total equity at the beginning and the end of the period.
(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
(4) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.
(5) Calculated by dividing total operating expenses (excluding business tax and surcharges) by total operating income.

	Regulatory Requirements	As of December 31,		
		2014	**2015**	**2016**
Capital adequacy indicators				
Core tier-one capital adequacy ratio(1)	≥6.7%(2)	11.16%	10.28%	9.90%
Tier-one capital adequacy ratio(3)	≥7.7%(2)	11.17%	10.29%	9.92%
Capital adequacy ratio(4)	≥9.7%(2)	14.45%	12.76%	12.16%
Total equity to total assets	N/A	6.98%	6.12%	5.73%
Asset quality indicators				
Non-performing loan ratio(5)	≤5%	1.54%	1.80%	1.81%
Allowance coverage ratio(6)	≥150%	183.37%	170.79%	178.58%
Allowance to gross loan ratio(7)	≥2.5%	2.83%	3.08%	3.24%
Other indicator				
Loan-to-deposit ratio(8)	N/A	52.47%	57.19%	58.03%

(1) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets. For the components of core tier-one capital, core tier-one capital deductions and risk-weighted assets under the Capital Administrative Measures, see "Supervision and Regulation—Supervision over Capital Adequacy—Latest CBRC Supervisory Standards over Capital Adequacy" and "Financial Information—Capital Resources—Capital Adequacy."
(2) Represents the regulatory requirements applicable to us as of December 31, 2016. Pursuant to the CBRC Notice on the Transitional Period of the Implementation of the Administrative Measures for the Capital of Commercial Banks (Trial) (《中國銀監會關於實施<商業銀行資本管理辦法（試行）>過渡期安排相關事項的通知》), as of December 31, 2014 and 2015, we were required to maintain our core tier-one capital adequacy ratio of no lower than 5.9% and 6.3%, respectively, tier-one capital adequacy ratio of 6.9% and 7.3%, respectively, and capital adequacy ratio of 8.9% and 9.3%, respectively.
(3) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets. For the components of tier-one capital, tier-one capital deductions and risk-weighted assets under the Capital Administrative Measures, see "Supervision and Regulation—Supervision over Capital Adequacy—Latest CBRC Supervisory Standards over Capital Adequacy" and "Financial Information—Capital Resources—Capital Adequacy."
(4) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets. For the components of our total capital, capital deductions and risk-weighted assets under the Capital Administrative Measures, see "Supervision and Regulation—Supervision over Capital Adequacy—Latest CBRC Supervisory Standards over Capital Adequacy" and "Financial Information—Capital Resources—Capital Adequacy."
(5) Calculated by dividing total non-performing loans by gross loans to customers.
(6) Calculated by dividing total allowance for impairment losses on loans to customers by total non-performing loans.
(7) Calculated by dividing total allowance for impairment losses on loans to customers by gross loans to customers.
(8) Calculated by dividing total loans to customers by total customer deposits. Prior to October 1, 2015, PRC commercial banks were required to maintain a loan-to-deposit ratio of no higher than 75%. Effective October 1, 2015, the PRC Commercial Bank Law was amended and the 75% maximum loan-to-deposit ratio was repealed.

OFFERING STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering is completed and 1,439,000,000 H Shares are newly issued in the Global Offering, (ii) the Over-allotment Option for the Global Offering is not exercised, and (iii) 9,592,418,539 Shares are issued and outstanding following the completion of the Global Offering:

	Based on the Offer Price of HK$4.99	Based on the Offer Price of HK$5.27
Market capitalization of our Shares	HK$47,866 million	HK$50,552 million
Unaudited pro forma adjusted net tangible assets per Share(1)	RMB4.37 (HK$4.96)	RMB4.41 (HK$5.00)

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

GLOBAL OFFERING

The Global Offering comprises:

(a) the Hong Kong Public Offering of initially 118,718,000 H Shares (subject to adjustment) in Hong Kong; and

(b) the International Offering of initially 1,464,182,000 H Shares (subject to adjustment and the Over-allotment Option) in the United States to QIBs in reliance on Rule 144A and outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S or another exemption from the registration requirements under the U.S. Securities Act.

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

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

RESTRICTIONS ON PLEDGE OF SHARES

Our Bank has clearly stipulated the following matters in its Articles of Association, in accordance with the Notice on Enhanced Management of Pledge of Equity Interest in Commercial Banks (《中國銀監會關於加強商業銀行股權質押管理的通知》) issued by CBRC in November 2013:

- where its Shareholder pledges his equity interests, he shall inform the Board in advance. In addition, where a Shareholder, who has a seat on its Board or the Board of Supervisors, or directly, indirectly or jointly holds or controls more than 2% of its share capital or voting rights, pledges his equity interests, he shall make a filing to the Board prior to the pledge;
- upon the registration of pledge of equity interests, each Shareholder involved shall provide us with the relevant information in relation to the pledge of equity interests in a timely manner; and
- where a Shareholder pledges 50% or more of his/its equity interests, the voting rights of such Shareholder at the shareholders' general meetings, as well as the voting rights of the director(s) designated by such Shareholder at board meetings, shall be subject to restrictions.

For details of the restrictions on the ability of shareholders of a commercial bank to pledge their shares, see "Supervision and Regulation—Ownership and Shareholder Restrictions" from page 145 to page 148 of this prospectus.

DIVIDEND

Our Bank does not have a specific dividend policy. Our Bank declared and distributed cash dividends of RMB2,038 million, RMB2,283 million and RMB1,631 million in 2014, 2015 and 2016, respectively. Dividends paid in prior periods may not be indicative of future dividend payments. Our Bank cannot guarantee whether and when we will pay dividends in the future.

Pursuant to the approval of our Bank's Shareholders' general meetings, the existing and new Shareholders shall be entitled to the accumulated retained earnings prior to the Global Offering. At the same time, pursuant to the PRC Company Law and our Articles of Association, all shareholders have equal right to dividend distributions. The Board of Directors (adopted by a two-thirds majority) is responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' general meeting for approval. The determination of whether to pay dividends and the amount of such dividends is based on our Bank's results of operations, cash flows, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by our Bank and other factors that the Board of Directors considers relevant.

Pursuant to the Articles of Association, our Bank shall distribute dividends from its distributable profits in accordance with the PRC GAAP or the IFRS or the applicable accounting standards of the overseas jurisdictions where the Shares are listed, whichever is the lowest.

INFORMATION OF SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, Guangzhou Municipal People's Government indirectly held approximately 24.06% of our Shares through 14 corporate Shareholders it controls. Immediately after the Global Offering and assuming that the Over-allotment Option is not exercised, Guangzhou Municipal People's Government will directly or indirectly hold approximately 18.95% of our Shares (or approximately 18.32% assuming that the Over-allotment Option is fully exercised). See "Substantial Shareholders" from page 329 to page 331 of this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

We intend to use the net proceeds from the Global Offering payable to us (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) to strengthen our capital base to support the sustainable growth of our business. For details of the planned use of proceeds from the Global Offering, see "Future Plans and Use of Proceeds" on page 427 of this prospectus.

RECENT DEVELOPMENTS

Since 2016, China's economy has maintained overall stable development. According to the National Bureau of Statistics, China's GDP increased by 6.8% in the fourth quarter of 2016 compared to the same period of 2015, with a growth rate slightly higher than that for the first three quarters of 2016. The slowdown in the growth of China's overall economy and specific industries may affect, to a certain extent, results of operations and financial condition of the PRC commercial banks. For details of relevant risks, see "Risk Factors—Risks Relating to the PRC—China's economic, political and social conditions and government policies, as well as the global economy may continue to affect our business, financial condition and results of operations" from page 50 to page 51 of this prospectus.

In addition, the market interest rates continued to decrease, and interest rate liberalization may intensify competition in the PRC banking industry, which could narrow the net interest margin of Chinese commercial banks, including us. See "Risk Factors—Risks relating to our Business—Changes in interest rates may have a significant impact on our financial condition and results of operations" from page 29 to page 30 of this prospectus.

Pursuant to Notice of the Comprehensive Implementation of the Pilot Reform for Transition from Business Tax to VAT (《關於全面推開營業稅改徵增值稅試點的通知》, Cai Shui [2016] No.36) issued by MOF and SAT on March 23, 2016 ("**Circular 36**"), the transition from business tax to VAT became effective for the finance industry on May 1, 2016. Under Circular 36, the VAT rate applicable to us was higher than the business tax rate applicable to us prior to the VAT transition, and the types of deductible items were reduced, resulting in an increase in our tax exposure in the early stage of the VAT transition. Subsequently, MOF and SAT issued a series of supplemental interpretations on the detailed implementation rules of the VAT regime. In particular, MOF and SAT issued Circular on Value-added Tax Policies for Financial, Real Estate Development, Education

Ancillary Service and Other Services (《關於明確金融、房地產開發、教育輔助服務等增值稅政策的通知》, Cai Shui [2016] No.140) on December 21, 2016 ("**Circular 140**"), and the Supplemental Announcement on Value-added Tax Policies on Asset Management Products (《關於資管產品增值稅政策有關問題的補充通知》, Cai Shui [2017] No.2) on January 6, 2017 supplementing the Circular 140. These supplemental interpretations has affected, and will continue to affect the value-added tax exposure of financial investment and asset management business of financial institutions, including us. Our results of operations have been affected by the VAT transition because of the changes in the basis and applicable tax rate from the business tax regime. In addition, the VAT regime is still evolving and may change in the future, and the local tax authorities may have different interpretations of the implementation rules of the VAT regime. See "Risk Factors—The transition from business tax to value-added tax may adversely affect our financial condition and results of operations" on page 48 of this prospectus.

Our business has continued to grow since December 31, 2016. Our total loans to customers continued to grow during the three months ended March 31, 2017, reflecting an overall growth of our loan business. Our holding of financial investments also continued to grow during the three months ended March 31, 2017, primarily as a result of our continued efforts to grow our financial markets business. Our total deposits from customers remained relatively stable as of March 31, 2017 compared to December 31, 2016. Both our total assets and total liabilities remained relatively stable as of March 31, 2017 compared to December 31, 2016.

On April 25, 2017, the shareholders of our Bank approved the declaration of cash dividends of RMB0.2 per share, totaling RMB1,631 million for the year ended December 31, 2016 at the annual general meeting of our Bank.

On June 28, 2012, we issued subordinated bonds in an aggregate principal amount of RMB3.5 billion with a fixed coupon rate of 5.99% per annum and the maturity date on June 29, 2022, with the option to early redeem such subordinated bonds on June 29, 2017. We obtained the relevant regulatory approval in May 2017 to exercise the redemption right on June 29, 2017.

Our Directors have confirmed that, except as disclosed in this prospectus, there has been no material adverse change in our financial or trading position since December 31, 2016.

LISTING EXPENSES

We have incurred listing expenses in connection with the Listing, which include professional fees and underwriting commissions and other fees. Assuming the Offer Price is HK$5.13 per H Share, being the midpoint of the proposed Offer Price range as stated in this prospectus, and the Over-allotment Option is not exercised, listing expenses to be borne by us are estimated to be approximately RMB155 million. As of December 31, 2016, we had incurred listing expenses of RMB24 million. Listing expenses of approximately RMB131 million are expected to be incurred after December 31, 2016, of which RMB15 million is expected to be charged to our income statement and RMB116 million is expected to be accounted for as a deduction from equity. The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from this estimate. Our Directors do not expect such expenses to have a material adverse impact on our financial results for the year ending December 31, 2017.

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

"agriculture-related loans"	loans to agriculture households, rural organizations, rural enterprises, urban enterprises and urban organizations, and loans to non-agricultural individuals in the agriculture, forestry, animal husbandry and fishery industry
"Application Form(s)"	**WHITE, YELLOW** and **GREEN** application form(s) or, where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Bank, the version of which was passed by our Shareholders at the extraordinary Shareholders' meeting on September 7, 2016 and was approved by CBRC Guangdong Office on December 23, 2016, which will become effective upon the Listing, as the same may be amended, supplemented or otherwise modified from time to time
"ATM(s)"	automated teller machine(s)
"Bank" or "our Bank"	Guangzhou Rural Commercial Bank Co., Ltd. (廣州農村商業銀行股份有限公司), a joint stock company incorporated on December 9, 2009 in China with limited liability in accordance with PRC laws, and, if the context requires, includes its predecessor, branches and sub-branches but excludes its subsidiaries
"Banking (Disclosure) Rules"	the Banking (Disclosure) Rules, Chapter 155M of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Banking Ordinance"	the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Basel Accords"	Basel I, Basel II and Basel III, collectively
"Basel I"	the Basel Capital Accord promulgated in 1988
"Basel II"	the revised Basel Capital Accord promulgated in June 2004
"Basel III"	the revised Basel Capital Accord promulgated in December 2010
"Board" or "Board of Directors"	the board of Directors of our Bank, as described in Appendix V—"Summary of Articles of Association"

"Board of Supervisors"	the board of Supervisors of our Bank, as described in Appendix V—"Summary of Articles of Association"
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"CAGR"	compound annual growth rate
"Capital Adequacy Measures"	the Measures on the Administration of Capital Adequacy Ratios of Commercial Banks (商業銀行資本充足率管理辦法) promulgated by CBRC on February 23, 2004, effective as of March 1, 2004 and amended on July 3, 2007, which was later abolished by the Capital Administrative Measures on January 1, 2013
"Capital Administrative Measures"	the Administrative Measures for the Capital of Commercial Banks (Trial) (商業銀行資本管理辦法(試行)) promulgated by CBRC on June 7, 2012 and effective on January 1, 2013
"CBRC"	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CBRC Guangdong Office"	the China Banking Regulatory Commission Guangdong Office (中國銀行業監督管理委員會廣東監管局)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus only and except where the context requires, excluding Hong Kong, Macau and Taiwan
"CIRC"	the China Insurance Regulatory Commission (中國保險監督管理委員會)

"city commercial banks"	city commercial banks established with the approval of CBRC and other regulatory authorities pursuant to the PRC Company Law and the PRC Commercial Bank Law
"Classification Standards of Small and Medium Enterprises"	the Classification Standards of Small and Medium Enterprises (中小企業劃型標準規定) jointly promulgated by MIIT, NBS, NDRC and MOF on June 18, 2011, which classifies SMEs in 16 industries into medium, small and micro enterprises with consideration of the nature of the industry in terms of number of employees, operating income and total assets
"commercial banks"	all of the banking financial institutions in the PRC, other than policy banks, which includes the Large Commercial Banks, the Nationwide Joint-stock Commercial Banks, city commercial banks and urban credit cooperatives, rural financial institutions, foreign banks and other banking financial institutions
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Core Indicators (Trial)"	the Core Indicators for the Risk Management of Commercial Banks (Trial) (商業銀行風險監管核心指標（試行）), as promulgated by CBRC on December 31, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
"Corporate Governance Guidelines"	the Guidelines on Corporate Governance of Commercial Banks (商業銀行公司治理指引), as promulgated by CBRC on July 19, 2013 and effective on the same date, as amended, supplemented or otherwise modified from time to time
"County Area(s)"	areas designated as counties or county-level cities under China's administrative division system. As an administrative division unit, a county or county-level city is generally directly below and under the direct supervision of its corresponding municipal-level or provincial-level government. County areas include economically more developed county centers, towns and the vast rural areas within their jurisdictions
"CRS"	Cash Recycling System

"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Bank
"Domestic Shares"	ordinary shares issued by our Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB
"former rural credit cooperatives"	the 14 rural credit cooperatives and the 10 rural credit cooperative unions at district and county level, together with Guangzhou Rural Credit Cooperative Union, that comprised the Guangzhou Rural Credit Cooperative upon our unification as a single legal person in 2006
"GDP"	gross domestic product
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Green Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Guangzhou SASAC"	the State-owned Assets Supervision and Administration Commission of Guangzhou Municipal Government (廣州市人民政府國有資產監督管理委員會)
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Shares"	ordinary shares in the share capital with a nominal value of RMB1.00 each of our Bank, which are to be subscribed for and traded in Hong Kong Dollars and are to be listed on the Hong Kong Stock Exchange
"HK$" or "HKD" or "Hong Kong Dollars"	Hong Kong Dollars, the lawful currency of Hong Kong
"HKMA"	the Hong Kong Monetary Authority
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Listed City/Rural Commercial Banks"	the city commercial banks and rural commercial banks incorporated in the PRC and listed on Hong Kong Stock Exchange as of the date of this prospectus, which include Chongqing Rural Commercial Bank Co., Ltd., Bank of Chongqing Co., Ltd., Huishang Bank Corporation Limited, Harbin Bank Co., Ltd., Shengjing Bank Co., Ltd., Bank of Qingdao Co., Ltd., Bank of Jinzhou Co., Ltd., Bank of Zhengzhou Co., Ltd., Bank of Tianjin Co., Ltd. and Jilin Jiutai Rural Commercial Bank Corporation Limited, collectively
"Hong Kong Offer Shares"	the 118,718,000 H Shares initially offered by our Bank (subject to adjustment) pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares (subject to adjustment) by the public in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this prospectus and the Application Forms, as further described in "Structure of the Global Offering—Hong Kong Public Offering"
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting—Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated June 7, 2017 entered into by us, the Joint Representatives and the Hong Kong Underwriters relating to the Hong Kong Public Offering, as further described in "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement"
"Independent Third Party"	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
"IFRS"	International Financial Reporting Standards and International Accounting Standards ("IAS"), which include the related standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB")
"International Offer Shares"	the 1,464,182,000 H Shares initially offered by our Bank and the Selling Shareholders pursuant to the International Offering together, where relevant, with any additional H Shares that may be issued or sold pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in "Structure of the Global Offering"

"International Offering"	the conditional placing of the International Offer Shares by the International Underwriters with professional and institutional investors for cash at the Offer Price, in the United States to QIBs in reliance on Rule 144A and outside the United States in offshore transactions in accordance with Regulation S, as further described in "Structure of the Global Offering"
"International Underwriters"	the group of underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering, which is expected to be entered into among our Bank, the Selling Shareholders, the Joint Representatives and the International Underwriters, as further described in "Underwriting"
"Joint Bookrunners"	China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited, ABCI Capital Limited, CCB International Capital Limited, AMTD Asset Management Limited, BOCI Asia Limited, CMB International Capital Limited and GF Securities (Hong Kong) Brokerage Limited
"Joint Global Coordinators"	China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited, ABCI Capital Limited, CCB International Capital Limited, AMTD Asset Management Limited, BOCI Asia Limited and CMB International Capital Limited
"Joint Lead Managers"	China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited, ABCI Securities Company Limited, CCB International Capital Limited, AMTD Asset Management Limited, BOCI Asia Limited, CMB International Capital Limited and GF Securities (Hong Kong) Brokerage Limited
"Joint Representatives"	China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited, ABCI Capital Limited, CCB International Capital Limited and AMTD Asset Management Limited
"Joint Sponsors"	China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited, CCB International Capital Limited and ABCI Capital Limited
"Large Commercial Banks"	Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited, China Construction Bank Corporation, and Bank of Communications Co., Ltd., collectively

"Large Enterprises"	enterprises other than those classified as medium, small or micro enterprises under the Classification Standards of Small and Medium Enterprises. For example, industrial enterprises with 1,000 or more employees and operating income of RMB400 million or more shall be classified as large enterprises
"Latest Practicable Date"	May 30, 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	the listing of our H Shares on the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about Tuesday, June 20, 2017, on which dealings in the H Shares first commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"M&A"	merger and acquisition
"Mandatory Provisions"	the Mandatory Provisions for Inclusion in the Articles of Association of Companies Incorporated in the PRC to be Listed Overseas (到境外上市公司章程必備條款), which were promulgated by the former Securities Commission of the State Council and the former State Restructuring Commission on August 27, 1994, effective on the same date, as amended, supplemented or otherwise modified from time to time
"medium enterprises"	the enterprises classified as medium enterprises based on the number of their employees, operating income, and total assets under the Classification Standards of Small and Medium Enterprises. For example, industrial enterprises with fewer than 1,000 employees or operating income of less than RMB400 million shall be classified as SMEs, among which those with 300 or more employees and operating income of RMB20 million or more shall be classified as medium enterprises
"micro enterprises"	the enterprises classified as micro enterprises based on the number of employees, operating income, and total assets under the Classification Standards of Small and Medium Enterprises. For example, industrial enterprises with fewer than 20 employees or operating income of less than RMB3 million shall be classified as micro enterprises
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)

"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"NAO"	the National Audit Office of the PRC (中華人民共和國審計署)
"Nationwide Joint-stock Commercial Banks"	China CITIC Bank Corporation Limited, China Everbright Bank Co., Ltd., Huaxia Bank Co., Limited, China Guangfa Bank Co., Ltd., Ping An Bank Co., Ltd. (formerly named as Shenzhen Development Bank Co., Ltd.), China Merchants Bank Co., Ltd., Shanghai Pudong Development Bank Co., Ltd., Industrial Bank Co., Ltd., China Minsheng Bank Corp., Ltd., Evergrowing Bank Co., Ltd., Zheshang Bank Co., Ltd. and China Bohai Bank Co., Ltd., collectively
"NBS"	the National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"non-performing loan(s)" or "NPL(s)"	loan(s) that is (are) in the "substandard," "doubtful" and "loss" categories according to our five-category loan classification system
"non-performing loan ratio" or "NPL ratio"	the percentage ratio calculated by dividing non-performing loans by total loans
"non-standard credit assets"	credit assets not traded on the interbank markets or stock exchanges. For the purpose of this prospectus, non-standard credit assets refer to debt instruments we invest in, including but not limited to trust fund plans, asset management plans and wealth management products issued by other financial institutions, where the underlying assets are not traded on the interbank market or stock exchanges
"NSSF"	the National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
"Offer Price"	the final price per H Share in Hong Kong Dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at which the H Shares are to be subscribed for and issued pursuant to the Global Offering. For details, see "Structure of the Global Offering"
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, any additional H Shares to be issued and sold pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option to be granted by our Bank and the Selling Shareholders to the International Underwriters exercisable by the Joint Representatives on behalf of the International Underwriters pursuant to which our Bank and the Selling Shareholders may be required to allot and issue or sell up to an aggregate of 237,435,000 additional H Shares (representing 15% of the initial Offer Shares), at the Offer Price, solely to cover over-allocations in the International Offering, if any, details of which are described in "Structure of the Global Offering—Over-allotment Option"
"Pan-Pearl River Delta Region"	nine provinces in southern, eastern and western China and two special administrative regions, namely Fujian Province, Guangdong Province, the Guangxi Zhuang Autonomous Region, Guizhou Province, Hainan Province, Hunan Province, Jiangxi Province, Sichuan Province, Yunnan Province, the Hong Kong Special Administrative Region and the Macau Special Administrative Region
"PBoC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Pearl River Delta" or "Pearl River Delta Region"	regions in Guangdong Province, mainly covering nine cities, namely, Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Zhaoqing, Jiangmen, Zhongshan and Dongguan
"POS"	point of sale, a checkout terminal in a shop or any location where a transaction occurs
"PRC Commercial Bank Law"	the Commercial Bank Law of the PRC (中華人民共和國商業銀行法), which was promulgated by the 13th session of the Standing Committee of the eighth National People's Congress on May 10, 1995 and became effective on July 1, 1995, as amended, supplemented or otherwise modified from time to time
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the 10th Standing Committee of the National People's Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	the PRC Accounting Standards and Accounting Regulations for Business Enterprises (企業會計準則) promulgated by MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time

"PRC PBoC Law"	the Law of the People's Bank of China of the PRC (中華人民共和國中國人民銀行法), which was promulgated by the third session of the eighth National People's Congress on March 18, 1995 and became effective on the same date, as amended, supplemented or otherwise modified from time to time
"PRC Banking Supervision and Regulatory Law"	the Banking Supervision and Regulatory Law of the PRC (中華人民共和國銀行業監督管理法), which was promulgated by the 6th session of the Standing Committee of the 10th National People's Congress on December 27, 2003 and became effective on February 1, 2004, as amended, supplemented or otherwise modified from time to time
"Price Determination Agreement"	the agreement to be entered into among our Bank (on behalf of ourselves and the Selling Shareholders) and the Joint Representatives (for themselves and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Tuesday, June 13, 2017, but in any event no later than Monday, June 19, 2017, on which the Offer Price is fixed for the purposes of the Global Offering
"QIBs"	qualified institutional buyers as defined in Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Related Party" or "Related Parties"	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders (商業銀行與內部人和股東關聯交易管理辦法) promulgated by CBRC, the PRC GAAP and/or IFRS
"Related Party Transaction(s)"	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders promulgated by CBRC, the PRC GAAP and/or IFRS
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"Rural Financial Service Station"	Financial service station established by banking financial institutions in accordance with the Pilot Plan for Inclusive Finance in Rural Areas in Guangdong Province (廣東省開展農村普惠金融試點方案) and the Working Plan for Acceleration of Improvement of Rural Financial Services in

	Guangzhou (廣州市加快改善農村金融服務工作方案) to provide rural residents with self-financial services, to market financial businesses and to promote financial education in response to the difficulties in cash withdrawal and the lack of financial services in rural areas. For the purpose of this prospectus, certain of our Rural Financial Service Stations are off-bank stations and others are located within our outlets
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sale Shares"	the 143,900,000 H Shares converted from Domestic Shares initially to be sold by the Selling Shareholders in the Global Offering (assuming the Over-allotment Option is not exercised); and, where relevant, any additional H Shares converted from Domestic Shares which may be sold by the Selling Shareholders pursuant to the exercise of the Over-allotment Option
"Sannong"	a short-hand reference to the Chinese pronunciation of the phrase "agriculture, rural areas and farmers" For the purposes of this prospectus, "Sannong" means government policies aiming at agriculture modernization, rural development and the improvement of living conditions of farmers
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Selling Shareholders"	the state-owned shareholders, collectively, who are required to reduce their shareholding pursuant to the relevant PRC regulations relating to reduction of state-owned shares as further listed out in the section headed "Statutory and General Information—5. Other Information—L. Particulars of the Selling Shareholders" in Appendix VII
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shares"	ordinary shares in the share capital with a nominal value of RMB1.00 each of our Bank

"Shareholder(s)"	the holder(s) of the Shares
"SHIBOR"	the Shanghai Interbank Offered Rate
"small enterprises"	the enterprises classified as small enterprises based on the number of employees, operating income, and total assets under the Classification Standards of Small and Medium Enterprises. For example, industrial enterprises with fewer than 300 employees or operating income of less than RMB20 million shall be classified as small or micro enterprises, among which those with 20 or more employees and operating income of RMB3 million or more shall be classified as small enterprises
"SME(s)"	the enterprises classified as micro enterprises, small enterprises and medium enterprises based on the number of employees, operating income, and total assets under the Classification Standards of Small and Medium Enterprises. For example, industrial enterprises with fewer than 1,000 employees or operating income of less than RMB400 million shall be classified as SMEs
"small and micro enterprises"	refer to small enterprises and micro enterprises collectively
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and the Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), which was promulgated by the State Council on August 4, 1994, as amended, supplemented or otherwise modified from time to time
"Stabilizing Manager"	China International Capital Corporation Hong Kong Securities Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Supervisor(s)"	the supervisor(s) of our Bank
"Track Record Period"	2014, 2015 and 2016
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US$," "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

"VTM(s)"	virtual teller machine(s)
"we", "us", "our", "Group" or "our Group"	our Bank and subsidiaries on a consolidated basis
"White Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name
"White Form eIPO"	the application for Hong Kong Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO service at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Yellow Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

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

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

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

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

For the purpose of this prospectus, "off-bank station" refers to off-bank self-service facilities zone established outside our outlets, which offers inquiry, withdrawal, deposit, transfer, bill payment, wealth management and other financial services. Off-bank station includes off-bank self-service bank with independent operating premises and off-bank self-service facilities without independent operating premises.

For the purpose of this prospectus, we use the term "credit loans" to refer to loans that are neither secured by mortgages or pledges, nor guaranteed, which are referred to as "unsecured loans" in the Accountants' Report set forth in Appendix I to this prospectus.

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

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of, assumptions made by and information currently available to our management. When used in this prospectus, the words “aim,” “anticipate,” “believe,” “could,” “predict,” “potential,” “continue,” “expect,” “going forward,” “intend,” “may,” “ought to,” “plan,” “project,” “seek,” “should,” “will,” “would” and the negative forms of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

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

Subject to the requirements of applicable laws, rules and regulations, we do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. The forward-looking statements in this prospectus are qualified by reference to the cautionary statements set out in this section.

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

RISKS RELATING TO OUR BUSINESS

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

Our total loans to customers were RMB185,981 million, RMB223,659 million and RMB245,891 million as of December 31, 2014, 2015 and 2016, respectively. As of the same dates, our NPL ratio was 1.54%, 1.80% and 1.81%, respectively. The increases in our NPL ratio during the Track Record Period were primarily due to the deterioration of our certain borrowers' financial condition and repayment capability as a result of the economic growth slowdown. For details, see "Assets and Liabilities—Assets—Asset Quality of Our Loan Portfolio." Our financial condition and results of operations will be affected by our ability to maintain or improve the quality of our loan portfolio. We cannot assure you that the quality of our loans to customers will not deteriorate in the future. Deterioration in the overall quality of our loan portfolio may occur due to a variety of reasons, including factors that are beyond our control, such as the slowdown of the economies in China, Guangdong Province or Guangzhou, other adverse macroeconomic changes in China and other regions and outbreaks of disasters, all of which may adversely affect the business, operation condition, liquidity of our borrowers or their repayment capability. Any deterioration in our asset quality may lead to significant increases in our non-performing loans, allowance for impairment losses on loans, written-off, which may materially and adversely affect our business, financial condition and results of operations.

Our business and operations are concentrated in Guangzhou, and we face uncertainties associated with national and local government policies and measures which are adopted to promote economic development in Guangzhou.

We are exposed to risks arising from concentration of our business and operations in Guangdong Province and Guangzhou in terms of distribution of customers and geographical coverage. Our business and operations are primarily concentrated in Guangzhou. As of December 31, 2016, approximately 88.7% of our loans and 91.2% of our deposits were originated from our outlets in Guangzhou. Although our business originated outside Guangzhou has increased gradually, most of our business and operations will remain in Guangdong Province and Guangzhou for the foreseeable future. Therefore, our continued growth depends to a large extent on the continued growth of the economy of Guangdong Province and Guangzhou.

We benefit from favorable policies adopted by the national and local governments to promote the economic development of Guangdong Province and Guangzhou. In recent years, the government has introduced various policies to encourage the development of the Pearl River Delta Region and the cooperation in the Pan-Pearl River Delta Region, which provides a favorable environment for our business. In addition, the implementation of the Guangdong Pilot Free Trade Zone and various policies regarding financial supporting to real economic growth have also facilitated the cross-border RMB-denominated settlement, cross-border trading and investment within the Guangdong Pilot Free Trade Zone, which bring opportunities to our international trade business.

We believe these policies are instrumental in the economic growth of Guangdong Province and Guangzhou, and expect our business to continue to benefit from these favorable government policies and measures and business opportunities presented in connection with the local economic growth. However, there can be no assurance that the PRC government will maintain these favorable policies in promoting the development of Guangdong Province and Guangzhou. Any discontinuation or unfavorable change in such policies may adversely affect our business, financial condition and results of operations.

In addition, the GDP growth in China has experienced slowdown in recent years. Any adverse change in the economic development of or any significant natural disaster or catastrophic event occurring in Guangdong Province or Guangzhou may materially and adversely affect our business, financial condition and results of operations.

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

Our allowance for impairment losses on loans to customers was RMB5,261 million, RMB6,879 million and RMB7,956 million as of December 31, 2014, 2015 and 2016, respectively, and our allowance coverage ratio (calculated by dividing total allowance for impairment losses on loans to customers by total non-performing loans) was 183.37%, 170.79% and 178.58% for the same dates, respectively. As of December 31, 2014, 2015 and 2016, our allowance to gross loan ratio (calculated by dividing total allowance for impairment losses on loans to customers by total loans to customers) was 2.83%, 3.08% and 3.24%, respectively. The amount of allowance for impairment losses on loans to customers is based on our assessment of various factors affecting the quality of our loan portfolio under IAS 39. These factors include our borrowers' operation and financial condition, repayment capability, repayment intention, the realizable value of any collateral, the ability of the guarantors of our customers to fulfill their obligations, as well as China's economic, legal and regulatory environment. Many of these factors are beyond our control, and therefore our assessment and expectation on these factors may differ from their future developments. Our allowance for impairment losses on loans may not be sufficient to cover the possible losses on our loan portfolio in the future. In addition, our allowance for impairment losses may increase as a result of changes in future regulatory and accounting policies, deviations in loan classification, or adoption of a more conservative provisioning practice. Any of the above factors may significantly reduce our profit and materially and adversely affect our business, financial condition and results of operations.

Our loans are highly concentrated on certain industries and borrowers, and the deterioration of their financial condition may have material adverse effect on our asset quality, financial condition and results of operations.

As of December 31, 2014, 2015 and 2016, our corporate loans represented approximately 64.4%, 65.5% and 62.0%, respectively, of our total loans to customers. As of December 31, 2014, 2015 and 2016, our loans to the wholesale and retail industry, real estate industry, leasing and commercial services industry, manufacturing industry and construction industry, being the top five industries of the borrowers in terms of our loan concentration as of December 31, 2016, represented approximately 71.0%, 69.5% and 70.9% of our corporate loans, respectively. The NPL ratios of loans to those industries fluctuated during the Track Record Period. Any deterioration in any of these industries in which our loans are highly concentrated or any deterioration in the financial condition or results of operations of our borrowers in the relevant industries could undermine the quality of our existing loans and our ability to grant new loans to relevant industries, which could further materially and adversely affect our business, financial condition and results of operations.

As of December 31, 2016, loans to our top ten single borrowers totaled RMB19,171 million, representing approximately 42.3% of our regulatory capital as of the same date, all of which was classified as normal. As of the same date, the balance of our credit exposure to our top ten group customers was RMB24,078 million, representing approximately 53.2% of our regulatory capital as of the same date, all of which was classified as normal. If the quality of any of these loans deteriorates or any such loan becomes non-performing, our asset quality could deteriorate significantly, and our financial condition and results of operations could be materially and adversely affected.

We are exposed to risks inherent to Sannong business.

Our Sannong business has been an important component of our business and agriculture-related loans accounted for approximately 12.5% of our total loans to customers as of December 31, 2016. We are subject to risks inherent to Sannong business, such as low production efficiency, vulnerability to natural disasters, long production cycle and lack of insurance system against catastrophic events, any of which may materially and adversely affect the business and financial condition of our agriculture-related loan customers, which may further affect their capability to repay their loans.

As of December 31, 2016, the NPL ratio of agriculture-related loans was 2.39%, which was higher than 1.81% of our overall NPL ratio as of the same date. We are required to maintain growth of the balances of our agriculture-related loans annually in accordance with relevant regulatory requirements. These policy measures, while reflecting the PRC government's commitment to promote Sannong business of rural commercial banks, may affect our ability to optimize our capital allocation and improve our customer portfolio, which may in turn adversely affect our profitability and financial condition. In addition, if CBRC adopts mandatory requirements on agriculture-related loans towards PRC rural commercial banks, and if we fail to meet these requirements, CBRC may refuse to issue licenses to us to carry out new types of banking business, impose restrictions on our business or investments or impose more stringent regulatory actions on us, any of which may significantly and adversely affect our business, financial condition and results of operations.

Our asset quality, financial condition or results of operations may be materially and adversely affected if the repayment capability of local government financing vehicles deteriorates or the government policies affecting local government financing vehicles change.

We provide loans to local government financing vehicles. Local government financing vehicles refer to economic entities which are independent legal person established by local governments as well as other departments and institutions through fiscal budget allocation or injection of assets such as land and equity, responsible for financing government-invested projects. Our borrowers who are local government financing vehicles typically use loan proceeds to invest in infrastructure, renovation of old districts and development of public welfare projects, and repay us with operating cash flows generated from such projects and local government budgets. As of December 31, 2014, 2015 and 2016, our loans to local government financing vehicles amounted to RMB8,816 million, RMB7,797 million and RMB5,554 million, respectively, representing approximately 7.4%, 5.3% and 3.6%, respectively, of our total corporate loans as of the same dates. See "Risk Management—Credit Risk Management—Credit Risk Management for Corporate Loans—Portfolio Management and Credit Guidelines" for details.

In accordance with relevant regulations of the PRC and subject to the requirements of the laws and the State Council, local governments and their departments, institutions and business units which mainly rely upon financial subsidies are not allowed directly or indirectly to provide any guarantees for any financing activities of local government financing vehicles with any state-owned assets, including fiscal incomes and state-owned assets of administrative business units. In addition, loans to local government financing vehicles are mainly used in projects relating to public welfare which might not have any commercial interests. Cash flows generated from the operation of such projects might not cover related principal amount and interests in full. As a result, the repayment capability of local government financing vehicles may be largely subject to governments' financial support. Subject to funding liquidity and budget priority, local government financing vehicles may not always obtain financial support from the government. Since 2010, the State Council, CBRC and PBoC, together with several other PRC regulatory authorities, have promulgated a series of notices, guidelines and other regulatory measures that direct PRC banks and other financial institutions to improve and strengthen their risk management measures regarding loans to local government financing vehicles. For further details, see "Supervision and Regulation—Regulations on Principal Activities of Commercial Banks—Lending." We have adopted measures both on our own initiatives and in response to regulatory directives to control our risk exposure to local government financing vehicles, including strengthening credit extension and monitoring mechanism and establishing risk alert systems for loans to local government financing vehicles. For details of such measures, see "Risk Management—Credit Risk Management—Credit Risk Management for Corporate Loans—Portfolio Management and Credit Guidelines." However, any slowdown in macroeconomy, unfavorable changes in government policies, deterioration in the financial condition of local governments and other factors may undermine the repayment capability of local government financing vehicles, which may in turn materially and adversely affect our asset quality, financial condition and results of operations. We cannot assure you that our measures are sufficient to protect us against any default by local government financing vehicles.

Changes in interest rates may have a significant impact on our 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. For the years ended December 31, 2014, 2015 and 2016, our net interest income accounted for 86.6%, 71.5% and 70.0% of our total operating income, respectively.

Our net interest income is sensitive to adjustments in the benchmark interest rates set by PBoC. In recent years, PBoC has adjusted the benchmark interest rates several times. See "Supervision and Regulation—Pricing of Products and Services." Adjustments by 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, the impact due to changes in the PBoC benchmark interest rates on the average yield on our interest-earning assets may differ from the relevant impact on the average cost on our interest-bearing liabilities and, therefore, may narrow our net interest margin. This would lead to a decrease in our net interest income, which may further materially and adversely affect our financial condition and results of operations. Our net interest income decreased by 8.0% from RMB11,596 million for the year ended December 31, 2015 to RMB10,671 million for the year ended December 31, 2016, primarily due to the consecutive cuts in the PBoC benchmark interest rate and a decrease in market interest rate.

Interest rates in China have been gradually liberalized in recent years. Effective on June 8, 2012, PBoC allowed financial institutions to set interest rates on RMB-denominated deposits at up to 110% of the PBoC benchmark rates. Effective on July 20, 2013, PBoC liberalized the floor rates for RMB-denominated loans (excluding interest rates on residential mortgage loans) and allowed financial institutions to set interest rates based on commercial considerations. Effective on November 22, 2014, PBoC allowed financial institutions to set interest rates on RMB-denominated deposits at up to 120% of the PBoC benchmark rates, which was raised to 130% and then 150% of the PBoC benchmark rates, effective on March 1 and May 11, 2015, respectively. Effective on August 26, 2015, PBoC removed the cap on the interest rates on RMB-denominated time deposits with tenors of longer than one year while the cap on the interest rates on RMB-denominated demand deposits and time deposits with tenors up to one year remain unchanged. Furthermore, effective on October 24, 2015, PBoC removed the cap on interest rates on deposits and allowed commercial banks in China to set interest rates on deposits based on commercial considerations. Interest rate liberalization may intensify competition in the PRC banking industry as China’s commercial banks seek to make loans and take deposits with more attractive interest rates, which could narrow the net interest margin of Chinese commercial banks, thereby materially and adversely affecting our results of operations. We cannot assure you that we will be able to promptly diversify our businesses, adjust the mix of our assets and liabilities and change our pricing to effectively in response to further liberalization of interest rates.

The Deposit Insurance Regulation came into effect on May 1, 2015, which was considered as a scheme to pave the way for further interest rate liberalization. The Deposit Insurance Regulation insures each depositor of a failed bank in an amount up to RMB500,000. Banks are required to pay premiums for the deposit insurance program, which will increase our operating cost and may therefore adversely affect our financial condition and results of operations.

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

We are exposed to risks associated with the real estate market in China, especially from corporate loans to the real estate industry, residential mortgage loans and other loans secured by real estate. As of December 31, 2014, 2015 and 2016, our corporate loans to the real estate industry accounted for approximately 14.0%, 12.9% and 16.2%, respectively, of our total corporate loans, and the NPL ratio of these loans was 0.95%, 1.03% and nil as of the same dates, respectively. As of December 31, 2014, 2015 and 2016, our residential mortgage loans accounted for 40.8%, 37.0% and 41.8%, respectively, of our total personal loans, and the NPL ratio of these loans was 0.24%, 0.31% and 0.36% as of the same dates, respectively. The PRC government has imposed, and may continue to impose, macroeconomic policies to regulate the real estate market. See “Supervision and Regulation—Regulations on Principal Activities of Commercial Banks—Lending.” These measures may slow down the growth of our loans to the real estate industry, and adversely affect the financial condition, liquidity and repayment capability of our customers in the real estate industry. These measures may also reduce the demand for residential mortgage loans in China. In addition, any significant decline in property prices in China may have a material adverse effect on the asset quality of our corporate loans to customers in the real estate industry and residential mortgage loans. If the real estate market in China experiences a significant downturn, the value of the collateral that secures our loans may decrease, which could in turn result in a reduction in the amount we could recover on any defaulting loans secured by real estate. We have taken measures to control our risks relating to the real estate industry. See "Risk Management—Credit Risk Management—Credit Risk Management for Corporate Loans—Portfolio Management and Credit Guidelines." However, we cannot assure you that any measures taken by us will be effective or sufficient to protect us against the effects of any fluctuation in China's real estate market. As a result, any significant or protracted recession in, or change in national policies affecting the real estate market in China may adversely affect our business, financial condition and results of operations.

We are exposed to risks arising from granting loans to our small and micro customers.

We are exposed to credit risk arising from loans to our small and micro customers. As of December 31, 2014, 2015 and 2016, loans to our small and micro customers were RMB72,328 million, RMB86,621 million and RMB82,689 million, respectively, represented approximately 38.9%, 38.7% and 33.6%, respectively, of our total loans. Small and micro enterprises and private business owners are more vulnerable to macroeconomic fluctuations, as they may lack the financial, management or other resources necessary to withstand the adverse effects brought by economic slowdown or changes in the regulatory environment as compared with larger enterprises. Also, due to the slowdown of the PRC economic growth, their demand for loans may decrease, which may adversely affect our business. In addition, we may not be able to obtain all the information on our small and micro customers which is necessary for us to assess their credit risk. Our non-performing loans may increase significantly due to the effects caused by the slowdown in the PRC economic growth or unfavorable changes in the regulatory environment on our small and micro customers, which may materially and adversely affect our business, financial condition and results of operations.

The proportion of our short-term loans has been relatively high, which may adversely affect the reliability and stability of our interest income or result in an increase of loan-default rate of our loans.

Under the General Rules of Loans of PBoC, short-term loans refer to loans with maturity of one year or less. The proportion of short-term loans in our total loans has been relatively high. As of December 31, 2014, 2015 and 2016, our short-term corporate loans accounted for approximately 44.5%, 32.4% and 34.6%, respectively, of our total corporate loans. During the Track Record Period, such loans were the major component of our loans and stable source of interest income. However, we cannot assure you that this situation will remain in the future, in particular, if the competition becomes intensive or our customers are able to obtain financing from other sources at lower interest rates. The relatively high proportion of our short-term loans may adversely affect the reliability and stability of our interest income. Furthermore, the concentration of our short-term loans may expose us to greater risk of liquidity difficulties of customers, and therefore higher NPL ratio, caused by a deterioration of their financial condition, a slowdown in the growth of the PRC economy or the industries in which these customers engage, or other factors beyond our control. Any fluctuation of our interest income or increase in loan-default rate resulting from any above factors may materially and adversely affect our business, financial condition and results of operations.

We are subject to risks relating to personal loans.

We offer a variety of personal loan products, including residential mortgage loans, personal consumption loans, personal business loans and credit card overdraft. As of December 31, 2014, 2015 and 2016, our personal loans accounted for approximately 33.1%, 32.5% and 33.1% of our total loans, respectively.

Due to the undeveloped credit information system in the PRC, we are unable to obtain all information required for assessing credit risks of our personal loan customers or to verify such information. In addition, as compared with other categories of customers, the repayment capability and repayment intention of personal loan customers are easier to be adversely affected by the macroeconomic and social factors, including economic downturn, inflation, deteriorating unemployment situation and natural disasters. Due to the substantial number and scattered geographical distribution of our personal loan customers, the collection of non-performing personal loans may not realize as we expect. We have adopted various risk management measures to control our personal loan credit risk. See "Risk Management—Credit Risk Management—Credit Risk Management for Loans to Small and Micro Enterprises Customers and Personal Loans." However, we are not able to assure you that such measures can effectively and fully manage the above risks. Any increase of the NPL ratio of our personal loans due to the above or other reasons may materially and adversely affect our financial condition, results of operations and prospects.

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

As of December 31, 2016, approximately 62.2% of our loans were secured by mortgages and approximately 10.3% of our loans were secured by pledges. As of the same date, approximately 18.4% of our loans were guaranteed loans. The collateral securing our loans to customers primarily comprised land use rights, buildings and houses, machinery and equipment, equity securities, debts, certificates of deposit and other assets. The value of the collateral securing our loans may fluctuate and decline due to various factors beyond our control, including macroeconomic factors affecting China. For example, a slowdown in the Chinese economy may lead to a downturn in the real estate market, which may in turn result in declines in the value of the real estate securing our loans to levels below the outstanding principal amount of such loans. In addition, we cannot assure you that our assessment of the values of collateral will be accurate at all times. If our collateral proves to be insufficient to cover the related loans, we may have to obtain additional collateral from the borrowers and there can be no assurance that we would be able to do so. Declines in the value of our collateral or our inability to obtain additional collateral may result in additional allowance for loan impairment, which may materially and adversely affect our business, financial condition and results of operations.

In China, the procedures for liquidating or otherwise realizing the value of collateral may be time-consuming, the value of collateral may not be fully realized, and it may be difficult to enforce claims in respect of such collateral. In addition, under certain circumstances, especially if we have not registered the collateral pursuant to relevant PRC laws and regulations, other claims may be senior or prior to our claims to the collateral securing our loans. All of the foregoing factors could adversely affect our ability to realize the value of the collateral securing our loans in a timely manner under special circumstances or at all.

Our guaranteed loans are generally not secured by collateral or other security interests. In addition, some of the guarantees are provided by affiliates of the relevant borrower. As a result, certain factors which result in a borrower's failure to repay a guaranteed loan in full and on time may also affect the guarantor's capability to fully perform its guarantee and; therefore, expose us to additional risks. Furthermore, we are subject to the risk that a court or any other judicial or government authority may declare a guarantee invalid or otherwise decline or fail to enforce such guarantee. We are therefore exposed to the risk that we may not be able to recover all or part of our guaranteed loans. If we are unable to have access to and dispose assets of borrowers and guarantors or if the guarantors fail to fully perform their guarantees on a timely basis, our business, financial condition and results of operations may be materially and adversely affected.

As of December 31, 2016, approximately 9.1% of our total loans to customers were credit loans. We grant such loans mainly based on our credit evaluation of such customers. We cannot assure you that our credit assessments of such customers are or will be accurate at all times, or that such customers will repay their loans in full and on time. As we only have general claims against defaulting borrowers under credit loans, we are exposed to a high risk of losing the entire outstanding amount under such loans, which may adversely affect our business, financial condition and results of operations.

We are subject to risks relating to our investments in debt securities.

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

A significant portion of our investment portfolios are debt securities. As of December 31, 2014, 2015 and 2016, the balance of our total debt securities investment amounted to RMB55,429 million, RMB83,736 million and RMB90,709 million, respectively. The value of these debt securities may decrease significantly due to various factors, including but not limited to (i) the issuer's failure to make repayment due to bankruptcy, financial difficulties or other reasons, which has been increasing due to the slowdown of the economic growth; (ii) lack of liquidity; (iii) inflation; (iv) an increase in the current or expected market interest rate or other economic condition; and (v) changes in relevant government policies. If the value of any debt securities we invest in significantly declines, our asset quality, financial condition, and results of operations may be materially and adversely affected.

We are subject to risks arising from our investments in other debt instruments issued by financial institutions, including but not limited to asset management plans, trust fund plans and wealth management products.

In order to diversify investment portfolio, we also make investments in other debt instruments issued by financial institutions, including asset management plans, trust fund plans and wealth management products issued by other financial institutions. As of December 31, 2014, 2015 and 2016, the balance of our investments in asset management plans, trust fund plans and wealth management products issued by other financial institutions (including those held for investment and trading purposes) amounted to RMB40,718 million, RMB86,263 million and RMB106,903 million, respectively, representing approximately 8.7%, 14.8% and 16.2%, respectively, of our total assets as of the same dates. For the years ended December 31, 2014, 2015 and 2016, the interest income from these investments was RMB4,176 million, RMB2,814 million and RMB4,048 million, respectively. The repayment of principal of and returns on our investment in other debt instruments issued by financial institutions is typically secured by collateral provided by ultimate borrowers, including properties, land use rights and certificates of deposit. Since we launched our investment business in other debt instruments issued by financial institutions, we have established various risk management policies that are independent from our deposit and loan businesses according to the market changes and regulatory policies. We have also implemented a full process to manage investment business in other debt instruments issued by financial institutions for comprehensive risk prevention. For details, see "Business—Our Principal Businesses—Financial Market Business—Major Products and Services—Investment Business—Investments in Other Debt Instruments Issued by Financial Institutions." However, we cannot assure you that these systems and process will be as effective as we anticipate.

In addition, certain of our investments are not principal protected. The repayment of principal of and returns on our investments is highly dependent on the performance of their underlying assets. Any deterioration in the business or financial condition of any of the ultimate borrowers could undermine the quality of our investment, which could further materially and adversely affect our business, financial condition and results of operation. We may not receive returns on such investment as high as we expect, or at all, or even suffer a loss from such investments. We may be unable to rely on the guarantees, or liquidate or realize the value of the collateral, if any, provided by the ultimate borrowers, as some of such guarantees and collateral are provided to the trust companies and securities companies instead of us. In addition, as the derivatives market in the PRC remains immature as compared to those in certain developed countries, tools available to us to reduce market risks relating our investment portfolio are limited.

Investments in other debt instruments issued by financial institutions carry certain credit risks. We make investment decisions based on our own assessment on the issuers of the investment products we invest in and the ultimate borrowers or obligors for such products to achieve the agreed-upon return rates. If the agreed-upon return rates cannot be achieved or the principal of our investments cannot be repaid, we primarily rely on our rights under the related contracts to recover losses from the financing party and the financial institutions that provide guarantee/security (if any). We do not have direct legal recourse to some ultimate borrowers, obligors or their guarantors in the underlying transactions. In addition, as certain other debt instruments issued by financial institutions are not traded on the PRC interbank market or stock exchanges, and there has not yet been an active trading market for such investment products, their liquidity is limited. As a result, we generally hold other debt instruments offered by financial institutions to maturity.

In respect of the investments by medium and small rural financial institutions in other debt instruments issued by financial institutions, the PRC regulatory authorities have currently enhanced the control in the aspects of risk management and investment scale. Further, there can be no assurance that such regulatory policies will not impose more restrictions on commercial banks in China, including us, from investing in other debt instruments, especially the non-standard credit assets, issued by financial institutions. In addition, any regulatory change relating to these types of investments could cause declines in the value of the investment portfolio held by us and, as a result, may adversely affect our business, financial condition and results of operations.

We are subject to risks relating to wealth management products issued to our customers.

In recent years, we have increased the volume and expanded the range of wealth management products issued to our customers. For the years ended December 31, 2014, 2015 and 2016, the total amount of our wealth management products issued was approximately RMB178,727 million, RMB228,773 million and RMB359,063 million, respectively, representing a CAGR of 41.7%.

We primarily invest the funds from the sale of our wealth management products in money market instruments, debt securities, non-standard credit assets and equity products. For details of the distribution of our wealth management products by the usage of funds during the Track Record Period, see "Business—Our Principal Businesses—Financial Market Business—Major Products and Services—Wealth Management for Customers". Compared to our investment of the funds from the sale of our wealth management products in other financial products, our investments in non-standard credit assets carry certain specific risks. As of December 31, 2014, 2015 and 2016, our investments in non-standard credit assets with funds raised from the issuance of our wealth management products amounted to RMB3,950 million, RMB965 million and RMB1,323 million, respectively, representing approximately 6.6%, 1.1% and 0.8%, respectively, of the balances of our wealth management products as of the same dates.

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

In addition, for certain part of our wealth management products, there is a mismatch between the tenor of such products and the tenor of the respective underlying assets. This mismatch subjects us to liquidity risk and requires us to issue new wealth management products, sell the underlying assets or otherwise address the funding gap when existing wealth management products mature. The PRC regulatory authorities have introduced regulatory policies to restrict the amount of PRC commercial banks' investments in other debt instruments offered by financial institutions, especially products in non-standard credit assets, with funds raised from wealth management products. In addition, adverse regulatory changes relating to these types of investments could cause declines in value of the investment portfolio held by us. Furthermore, more stringent control by the PRC regulatory authorities over wealth management business of commercial banks in China may restrict our business operations and limit our profitability. Each of the aforementioned factors may adversely affect our business, financial condition and results of operations. See "Supervision and Regulation—Regulations on Principal Activities of Commercial Banks—Wealth Management."

We mainly rely on customer deposits to fund our business.

As a commercial bank, customer deposits remain our primary funding source. We rely on the growth in customer deposits to expand our loan business and meet other liquidity needs. Decreases in customer deposits will reduce our funding sources, which, will further reduce our ability to extend new loans while meeting liquidity requirements. In recent years, our customer deposits have continued to grow. Our total customer deposits amounted to RMB354,439 million, RMB391,062 million and RMB423,742 million as of December 31, 2014, 2015 and 2016, respectively. However, there are various factors affecting the growth in our deposits, some of which are beyond our control, such as economic and political conditions, the availability of alternative investment products and changes in regulatory environment and customers' preference and potential return. As a result, we cannot assure you that we will be able to maintain the growth in our customer deposits at a pace that is sufficient to support the expansion of business.

In addition, as of December 31, 2016, approximately 85.1% of our total deposits from customers were due within one year or payable on demand. As of the same date, approximately 46.8% of our total loans to customers were due within one year. There is a mismatch between the maturities of our liabilities and those of our assets. Based on our experience, a substantial portion of our short-term customer deposits are rolled over upon maturity, and these deposits have represented a relatively stable source of funding in the past. However, due to the increased availability of wealth management products and other investment products in China's financial markets as well as the financial disintermediation and interest rate liberalization in recent years, certain customers may withdraw their deposits and invest in alternative products.

If we are unable to maintain the growth 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 acceptable terms and may likely increase our funding costs. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Issues relating to land use rights and building ownership may adversely affect our ability to occupy and use certain properties owned by us and/or leased from third parties.

As of the Latest Practicable Date, we owned 1,033 premises in the PRC with an aggregate GFA of approximately 665,818.2 square meters. We have not obtained the land use right certificates and/or building ownership certificates for 480 properties with an aggregate GFA of approximately 303,193.5 square meters, accounting for approximately 45.5% of the aggregate GFA of our owned properties. We are currently in the process of applying for land use right certificates and building ownership certificates for these properties. However, we may not be able to obtain all of these title certificates, and our ownership rights may be adversely affected in respect of these properties. If we were forced to relocate any of the operations we conduct in the affected properties, it may cause disruption to our business and we may incur additional costs and loss of income as a result of such relocation.

As of the Latest Practicable Date, we leased 959 properties with an aggregate GFA of approximately 230,137.9 square meters in China, which we mainly used as our outlets or offices. Among these properties, 549 properties with an aggregate GFA of approximately 107,871.5 square meters were leased from lessors who were not able to provide title certificates. As a result, the validity of such leases may be subject to legal challenge. As of the Latest Practicable Date, we had not completed the filing for registration for 710 out of the 959 leases of these properties. The failure of registration of the lease agreements for our leased properties will not affect the validity of these lease agreements, but the competent housing authorities may order us to register the lease agreements in a prescribed period of time, failing which we may be subject to a fine of RMB1,000 or more and below RMB10,000 per lease by the competent authorities. In addition, we cannot assure you that we would be able to renew such leases, upon their expiration, on terms acceptable to us, or at all. If any of our leases is terminated as a result of challenges by third parties with respect to the validity of our lease agreements or our failure to register relevant lease agreement, or if we fail to renew them upon expiration, we may be forced to relocate affected branches and sub-branches, incur additional costs, loss of income and subject to fine by the competent authorities, and our business operation and financial condition may be adversely affected.

For details of our properties, see "Business—Properties."

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

Our risk management capability is limited by the information, tools or technologies available to us. We may not be able to effectively monitor, assess and control credit risk due to limited information or tools. In recent years, we have undertaken various initiatives to strengthen our risk management capability, including improving our internal credit rating mechanisms, upgrading our measurement tools to assess our market risk and liquidity risk, enhancing our legal risk and reputational risk management and continually upgrading our information technology system. 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. In addition, the banking industry continues to evolve and new products emerge from time to time, and national and local government may issue new regulations or publish new policies to such new products. We may not be able to design and implement risk management measures or policies to effectively manage risks associated with these new products in a timely manner or at all.

If we are unable to effectively improve our risk management and internal control policies, procedures and systems, or if we are unable to achieve the intended results of such policies, procedures or systems in a timely manner, our asset quality, business, financial condition and results of operations may be materially and adversely affected.

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

We are subject to capital adequacy requirement as set by CBRC. See "Supervision and Regulation—Supervision over Capital Adequacy." Pursuant to the requirements of the PRC banking regulatory authorities, our capital adequacy ratios of each tier shall remain no lower than the minimum capital adequacy requirements under the Capital Administrative Measures during the transitional period for the implementation thereof. In accordance with the Capital Administrative Measures, as of December 31, 2016, our core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio was 9.90%, 9.92% and 12.16%, respectively, all of which satisfy the requirements of the PRC banking regulatory authorities. CBRC may increase the minimum capital adequacy requirements or change the methodology for calculating regulatory capital or capital adequacy ratios or we may otherwise be subject to new capital adequacy requirements. For details with respect to our compliance with regulatory requirements, see "Supervision and Regulation—Other Operational and Risk Management Ratios."

Our ability to satisfy the existing regulatory capital adequacy requirements could be adversely affected as a result of the deterioration of our financial condition, including deterioration in the quality of our assets, such as an increase in non-performing loans and a decline in our profitability. If our development places capital demands on us in excess of what we are able to generate internally or raise from the capital markets, we may need to seek additional capital through alternative means. However, we may not be able to obtain additional capital eligible for calculating the capital adequacy ratio on acceptable terms in a timely manner or at all. Our ability to obtain additional capital may also be restricted by a number of factors, including our future business, financial condition, results of operations and cash flows, conditions prescribed by the PRC law and regulatory approvals, general market conditions for capital-raising activities by commercial banks and other financial institutions, as well as economic, political and other conditions both within and outside China. We may face increasing compliance and capital costs as a result of these capital requirements. Furthermore, as these capital adequacy requirements place restrictions on the ability of banks to leverage on their capital to achieve growth in their loan portfolios, our business, financial condition, and results of operations may be materially and 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, CBRC may take a series of measures upon us, including, for example, imposing restrictions on our lending and investment activities, restricting the growth of our loans and other assets, declining our application to launch new businesses or restricting our declaration or payment of dividends. Such measures may materially and adversely affect our business, financial condition and results of operations. During the Track Record Period, certain Zhujiang County banks did not meet certain regulatory indicators stipulated by Core Indicators (Trial) promulgated and administered by CBRC. The non-compliance of the regulatory indicators of these Zhujiang County Banks did not affect the compliance of the regulatory indicators of our Bank on a consolidated basis. However, no assurance can be given that the Zhujiang County banks will meet the regulatory indicators at all time. Any such violation could damage our reputation and negatively impact our business.

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

Our operating income was RMB13,859 million, RMB16,213 million and RMB15,240 million for the years ended December 31, 2014, 2015 and 2016, respectively. We may not be able to successfully maintain our growth. In addition, we plan to implement other business strategies and initiatives as described in "Business—Our Strategies." The successful implementation of our strategies will require, among other things, devotion of management, investment in capital, human resources, information technology and other resources, accurate prediction of market trends and timely execution, modification to business and management structures and cooperation with third parties, and will also subject us to additional regulatory requirements as the PRC government continues to regulate the expanding financial services industry. Further, our growth and the successful implementation of our strategies are closely related to the PRC economy as well as other macroeconomic factors affecting China (and Guangdong Province in particular), such as GDP growth, inflation rate and changes in laws and regulations relating to the banking and financial industry. We may not be able to successfully maintain our growth or to implement our business strategies due to any unfavorable change in one or more of the above factors or other factors. In addition, the management of our growth requires, and will continue to require, substantial managerial and operational resources. We may not be able to retain and attract qualified personnel to satisfy our growth needs. See "—We rely on the continuing efforts of our key personnel and may not be able to recruit or retain a sufficient number of qualified staff." We may also need additional capital to support our business development in the future, and we may not be able to obtain such capital on acceptable terms or at all. Any occurrences of the above factors may materially and adversely affect our business, financial condition and results of operations. In addition, mergers, acquisitions or investments that we have entered into or may enter into in the future may pose a number of risks to our business and operation, such as the unidentified or unforeseeable liabilities or risks may exist in the potential assets or business to be acquired. If we fail to implement our business strategies, our business, financial condition and results of operations may be affected.

We may not be able to successfully expand the range of our products and services.

We currently rely to a great extent on interest income. Net interest income has historically been the largest component of our operating income, representing more than 70% of our operating income during the Track Record Period. As part of our growth strategy, we plan to introduce more fee- and commission-based products and services. Our expansion in our offerings of products and services has exposed and will continue to expose us to new and increasing market challenges and operational risks which are usually present for traditional banking industry. For example, we may not be able to maintain growth of, or even suffer a loss from, our financial market business. In addition, certain types of our financial market business, for example, investment banking and agency and custodian services, may even expose us to liabilities. We may not have the required experience and expertise in managing new products and services. Our new products and services may not be accepted by our customers. We face competitions from our competitors, including both state-owned and non-stated owned banks, and other financial service providers, when marketing our products and services. If we are not able to expand the range of our products and services, our business, financial condition and results and operations may be materially and adversely affected.

We may be exposed to various risks as we expand our branch network and sales channels.

We are expanding geographically. As of December 31, 2016, we had, excluding the outlets of our Zhujiang County Banks, 625 outlets, of which 618 were located in Guangzhou. We also had five branches and two sub-branches outside Guangzhou as of the same date. As of the same date, our Zhujiang County Banks had a total of 142 outlets. We plan to further expand our branch network in the future.

We face various risks associated with the expansion of our branch network, which include our ability to (i) recruit additional qualified staff; (ii) provide satisfactory customer service, such as providing sufficient products and service and handling customer complaints; and (iii) establish an effective management team or to enhance our risk management systems and information technology system to support a broader branch network. Therefore, our business plan to further expand our branch network may not be implemented successfully.

Furthermore, we endeavor to improve our sales and marketing and expand our sales channels. If we are unable to obtain relevant regulatory approvals, or comply with relevant banking regulations in the sales and marketing, we may be subject to legal proceedings or regulatory sanctions, which could further lead to significant financial losses and reputational damages.

We may be unable to detect and prevent fraud or other improper acts committed by our employees or third parties, and we may be subject to other operational risks.

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

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

We rely on the continuing efforts of our key personnel and may not be able to recruit or retain a sufficient number of qualified staff.

Our ability to maintain growth and meet future business demands is dependent upon the continued services of our senior management and other key personnel. In particular, our future success depends substantially upon the industry experience, experience in our business operations and sales and marketing skills of our key personnel. The departure of any member of our key personnel may have a material adverse effect on our business and results of operations. Moreover, we may face increasing competition in recruiting and retaining qualified staff, including our middle and senior management, as other banks are competing for the same pool of qualified persons and our compensation packages may not be as competitive as those of our competitors. In addition, some of our employees are not subject to long-term employment contracts. There can be no assurance that we may be able to recruit sufficient staff or with sufficient experience, or that competition in recruitment will not lead to increases in our employment costs. If we fail to recruit or retain a sufficient number of qualified staff, our business, financial condition and results of operations may be materially and adversely affected.

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

Our business is highly dependent on the ability of our information technology systems to support our business development and accurately process a large number of transactions on a timely manner. The proper functioning of our internal control, risk management, customer service and other data processing systems, together with the communication networks between our various branches and sub-branches and our main data processing centers, is critical to our business and our ability to maintain competitiveness. For further information with respect to our information technology systems, see "Business— Information Technology." In order to reduce risks caused by system failure, we conduct data backup for our major systems and communications network and have established a disaster backup structure consisting of "Three Centers in Two Areas (兩地三中心)," including Application Center and Data Backup Center in Guangzhou and Data Disaster Recover Center in Chengdu. We cannot assure you, however, that our operations may not be materially disrupted if there is a partial or complete failure of any of these information technology systems which may be caused by, among other things, software bugs, conversion errors due to system upgrading, an equipment provider's failure to provide proper system maintenance, intellectual property claims over such systems or natural disasters. We are also subject to the risk of telecommunication network and Internet breakdowns. Any security breach caused by unauthorized access to information or systems, loss or corruption of data and malfunction of software, hardware or other computer equipment could materially and adversely affect our business, financial condition and results of operations.

In addition, our ability to remain competitive will depend in part on our ability to upgrade our information technology system in a timely and cost-effective manner in order to respond to market changes and other developments. Thus, any failure to improve or upgrade our information technology system or develop new system effectively or on a timely manner may materially and adversely affect our business, financial condition and results of operations.

Moreover, security breaches and attacks against our systems and networks, and any potentially resulting breach or failure to otherwise protect confidential and proprietary information, could damage our reputation and negatively impact our business, as well as materially and adversely affect our financial condition and results of operations. In particular, in recent years, as more and more public and private enterprises, including banks and financial institutions, are relying on proper function of IT systems for their business operations, they are vulnerable to cyber-attacks, which may severely damage their internet banking or mobile banking operations, causing temporary or pro-longed suspension of relevant services, or theft of customer data which may lead to further complaint or litigation from relevant customers. Although we have employed significant resources to develop our security measures against breaches, our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including software bugs, viruses, malicious software, break-ins, phishing attacks, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of user information, or a denial-of-service or other interruption to our business operations. We may be unable to anticipate or implement adequate measures to protect against these attacks, as techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation would be harmed and we could sustain substantial revenue loss from lost sales and customer dissatisfaction.

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 operations could be materially and adversely affected.

We are subject to the regulatory requirements and guidelines set forth by various PRC regulatory authorities, which include PBoC, CBRC, CSRC, CIRC, MOF, SAFE, NAO, SAT and SAIC. These regulatory authorities carry out periodic supervision and spot checks of commercial banks including us and have the authority to impose penalties or remedial measures based on their findings. For example, we collect, transmit, store and use the information of our customers with our Internet and information systems. We have emphasized on and adopted various measures to ensure the security of the information of our customers. However, we are not able to fully avoid the loss, leakage, stealing or misuse of the information of our customers resulting from hacking or virus infection due to defects in softwares and hardwares and intention or negligence of our staff. If any of above circumstances occurs, it may cause investigation, warning or penalty by regulatory authorities against us or compensation to persons who suffered or other regulatory and legal liabilities. We cannot assure you that we will be able to fully comply with various applicable regulatory requirements from time to time, and our reputation, businesses and prospects may be adversely affected.

During the Track Record Period and as of the Latest Practicable Date, we were subject to a total of 23 fines and other administrative penalties by PRC regulatory authorities (excluding tax authorities) with a total amount of fines of approximately RMB5.7 million. We have paid all the fines and administrative penalties. We have also adopted corresponding rectification and preventative measures for matters identified by the PRC regulatory authorities. The fines and the penalties, separately or jointly, did not and will not materially and adversely affect our business, financial condition and results of operations. Nor will they affect our ability to obtain necessary approvals, permits, authorization or filings for our operation. As of the Latest Practicable Date, we did not receive any other notice of action (including fines and penalties) other than the fines and the penalties mentioned above, or any requirement for further rectification measures from regulatory authorities. Our Directors believe that the aforesaid fines and penalties, individually or in aggregate, did not and will not materially and adversely affect our financial condition or results of operations. We cannot assure you that we are able to comply with all applicable rules, guidelines, laws or regulations at any time in the future, or will not be subject to sanctions, fines or other penalties due to violation. Failures to comply with applicable rules, guidelines, laws or regulations may materially and adversely affect our financial condition and results of operations and damage our reputation and ability to develop businesses.

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

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, consisting primarily of bank acceptances, guarantee issued, letters of credit, loan commitments and unused credit card limits. Such arrangements are not reflected on our balance sheet but constitute contingent assets or contingent liabilities. As of December 31, 2016, our credit commitments amounted to RMB116,457 million. See "Financial Information—Off-balance Sheet Commitments." We are subject to credit risks associated with these off-balance sheet commitments and may likely be required to provide funds when our customers are unable to perform their obligations. If we are unable to recover payment from our customer, our business, financial condition and results of operations may be materially and adversely affected.

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

As of December 31, 2016, among 29,215 existing Shareholders, our Bank was unable to confirm certain of its Shareholders' identities because it was unable to contact them or for other reasons. Such unidentifiable Shareholders include 37 corporate Shareholders and 4,545 individual Shareholders. The Shares held by such Shareholders represented an aggregate of approximately 2.47% of our total issued share capital.

Our Bank cannot assure you that it will successfully contact and accurately record all holders of its Shares or all persons who are entitled to its Shares. Our Bank entrusted the Shares held by all of its existing Shareholders, including such unidentifiable Shareholders, to Guangzhou Equity Exchange. With respect to cash dividends payable in respect of the Shares with uncertain entitlements, our Bank has kept such dividends in a special account created for this purpose, which will be released upon the determination of entitlements of the Shares. King & Wood Mallesons, our PRC legal advisor, is of the view that the existence of the aforementioned unidentifiable Shareholders is not expected to have any material adverse effect on our Bank's share capital, corporate governance (such as convening of a general shareholder meeting and distribution of dividends) and business operations. However, our Bank cannot assure you that there will not be any disputes regarding equity interests raised by Shareholders, such as disputes over the dilution of their shareholding, including the Shares held by you. Any of such disputes or objections may result in negative publicity or reputational damage to us.

We may be involved in legal and other disputes from time to time arising out of our operations or with the other shareholders of our subsidiaries.

We are involved in legal and other disputes from time to time for a variety of reasons, which are generally loan disputes or claims arising out of our business. See "Business—Legal and Regulatory—Legal Proceedings." We cannot assure you that the outcome in any litigation in which we are involved would be favorable to us and any future legal dispute we may confront could result in significant monetary payments or injunctive relief pursuant to unfavorable judgments, damage to our reputation, additional operational costs and a diversion of resources and management's attention from our business operations.

As of December 31, 2016, we had established 24 Zhujiang County Banks in total. In 2014, 2015 and 2016, the aggregate operating income of all 24 Zhujiang County Banks accounted for 6.5%, 7.0% and 8.6% of our operating income for the same period, respectively. In 2014, 2015 and 2016, the aggregate net profits of all 24 Zhujiang County Banks accounted for 3.3%, 0.2% and 2.8% of our net profits for the same period, respectively. See "Business—Our Principal Business—Zhujiang County Banks—Financial Contribution of Zhujiang County Banks." We may have disputes with the other shareholders of our subsidiaries which include the 24 Zhujiang County Banks. There were instances where other shareholders of our subsidiaries failed to abide by their acting-in-concert agreements with us. For example, we are currently involved in one ongoing shareholder dispute with one Zhujiang County Bank. Although such Zhujiang County bank, as well as other Zhujiang County Banks, individually or in aggregate, represented an insignificant percentage to our consolidated financial statements, they are consolidated as a part of our business in order to further expand our geographical coverage and broaden our integrated financial product and service offerings. The outcome of this matter is uncertain. If any of the other shareholders fail to abide by the acting-in-concert agreements with us, or any of such subsidiaries make business decision, take risks or otherwise act in a manner that does not completely align with our interests or the direction of our business development, it may adversely affect our results of operations and damage our reputation.

RISKS RELATING TO THE PRC BANKING INDUSTRY

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

The banking industry in China is becoming increasingly competitive. We face competition from the PRC and foreign commercial banks in all of our principal lines of business in the locations where we have operations. We principally compete with commercial banks operating in Guangdong

Province, including large commercial banks, joint stock commercial banks and other commercial banks. On July 1, 2013, the General Office of the State Council issued the Opinion Letter Regarding Financial Support for Promoting Economic Restructuring and Transformation (《國務院辦公廳關於金融支持經濟結構調整和轉型升級的指導意見》) (the Opinion Letter). The Opinion Letter, among other things, encourages investment by private sector capital in financial institutions and the establishment of private-owned banks. The Opinion Letter provides a policy guidance to the increasing involvement of private sector capital in the financial industry in China. We may therefore face competition from privately-owned banks in the future. Competition in the PRC banking industry will be further intensified, resulting from market liberalization by the PRC government.

We compete with our competitors in substantially the same loans, deposits and fee- and commission-based products and services. Such competition may materially and adversely affect our business and prospects by, for example, reducing our market share in our principal products and services, reducing our fee and commission income, affecting the growth of our loan or deposit portfolios and their related products and services, and increasing competition for attracting senior management talents and qualified professional personnel.

In addition to the competition from other banks and financial institutions, we also face competition from other forms of investment alternatives in China. In recent years, financial disintermediation which involves investors' movement of their funds out of commercial banks and other financial institutions to direct investments, has increased in China due to the introduction of new financial products, the further development of the capital markets, the diversification of customer demand and other factors. Our customers may move their deposits with us to invest in stock, bonds and wealth management products, which may decrease our customer deposits that are the most important source of funds available to us for our lending business, thus impact our net interest income. In addition, due to the development of the capital markets, we may face competition from direct corporate financing, such as the issuance of debt or equity securities in the domestic and international capital markets. If a substantial number of our customers choose alternative ways of financing to meet their funding needs, this may adversely affect our interest income. A decrease in the financing demand of our corporate customers could materially and adversely affect our business, financial condition and results of operations.

Furthermore, China's traditional banking financial institutions are also facing new challenges from innovations in financial products and technologies, such as online wealth management products, third-party online payment platforms and Internet financing service platforms. Similar to other commercial banks, we also face competition from other types of Internet finance, such as P2P lending and crowd-funding. We cannot assure you that we will successfully meet the challenges from such innovative financial services and products, and, in the event that we were unable to effectively respond to the changes in the competition environment of the PRC banking industry, our business, financial condition and results of operations could be materially and adversely affected.

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

The PRC banking industry is highly regulated. As the PRC banking industry evolves, the PRC government issues new laws, regulations and government policies from time to time to regulate the banking industry, including banking products and services, market entry, opening of new branches or institutions, tax and accounting policies and pricing, the investments that commercial banks can make and the off-balance sheet businesses that commercial banks can conduct. We are subject to various regulatory requirements and guidelines set forth by the PRC regulatory authorities, including but not limited to PBoC, CBRC, CSRC, CIRC, MOF, SAFE, NAO, SAT and SAIC and their respective local branches, particularly in Guangzhou and Guangdong Province. CBRC, as the primary banking industry regulator, has promulgated a series of banking regulations and guidelines aiming to improving the operations and risk management of Chinese commercial banks. For example, in March and April 2017, CBRC issued a series of circulars and guidelines, such as the *Circular on the Implementation of Specialized Governance on "Regulatory Arbitrage, Idle Arbitrage and Related-party Arbitrage" of the Banking Industry* (《開展銀行業「監管套利、空轉套利、關聯套利」專項治理工作的通知》), the *Guidance on Risk Management of the Banking Industry* (《關於銀行業風險防控工作的指導意見》) and the *Circular on the Implementation of Specialized Governance on "Inappropriate Innovations, Transactions, Incentives and Charges" of the Banking Industry* (《關於開展銀行業「不當創新、不當交易、不當激勵、不當收費」專項治理工作的通知》) to further tighten the regulatory requirements on, among others, inappropriate transactions, high leverage ratio and arbitrage activities, as well as tighten the regulatory requirements by carrying out specialized governance on the non-compliance of interbank business and wealth management business. As such circulars and guidelines were issued recently with detailed implementation and interpretations yet to be provided, it is hard to predict the impact of such circulars and guidelines on our business and financial performance. Some regulatory authorities conduct periodic and *ad hoc* inspections, examinations and inquiries on our business operations and compliance with laws, regulations and guidelines. Many of these laws, regulations and government policies governing the banking industry or the interpretation thereof may change from time to time, the interpretation or implementation measures of such laws, regulations and government policies may even vary from different administrative regions, and we may not be able to adapt to such changes or implement measures on a timely manner or at all. Failure to comply with these laws, regulations and government policies may result in fines, limitations or restrictions on our business, which could materially and adversely affect our business, financial condition and results of operations.

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

The PRC banking industry has experienced rapid growth along with China's economic development. From 2011 to 2016, the total RMB-denominated loans and deposits of banking financial institutions in China grew at a CAGR of 14.2% and 13.2%, respectively. Banks have historically been, and are likely to remain, the principal domestic financing channel for corporates and the primary choice for savings. We expect the banking industry in the PRC to maintain its growth as a result of the continued growth in the PRC economy, increases in household income and other factors.

Notwithstanding the significant growth in the banking industry in China, it is uncertain whether the banking industry in China can sustain the current rates of growth. A slowdown in the growth of the PRC economy or other unfavorable macroeconomic developments in China could materially and adversely affect the banking industry in China. Due to new risks caused by overcapacity, local government debts and overall economic slowdown, we cannot assure you that the banking industry in the PRC is free from systemic risks. The recent slowdown in China's economic growth and increasing credit risk caused by debts to overcapacity industries and local governments in China have led to a rise in non-performing loans of the PRC banking industry. In addition, the PRC government may adjust its monetary policies from time to time. The adjustments to the monetary policies may have a material impact on the banking industry in China. In the event that we cannot adapt to such changes, our business, financial condition and results of operations could be materially and adversely affected.

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

We utilize short-term funding in the interbank market to satisfy some of our liquidity needs, and any significant changes in the liquidity and interest rates in the PRC interbank market could have an impact on our financing costs and ability to raise sufficient fund for our business development. 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. We cannot assure you that SHIBOR interest rates will not experience irregular fluctuations or will return to the normal range in the short term after irregular fluctuations in such rates in the future. SHIBOR reflects changes in the interest rates, which may materially affect our cost of borrowing of short-term funds in the interbank market. Any significant volatility in interest rates on the interbank market may have a material and adverse effect on our cost of borrowing short-term funds and our liquidity. In addition, the PRC interbank market is highly regulated. Any material change in regulations applicable to the interbank market may affect our ability to access to and utilize interbank market products. We cannot assure you that we will continue to be able to raise sufficient funds on the interbank market to support our business development.

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

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

Although the national credit information databases developed by PBoC have been put into use, they are generally under-developed, and such databases are not able to provide complete credit information on certain credit applicants. Without complete, accurate and reliable information and until the full implementation and effective operation of comprehensive national credit databases with respect to corporate and individual borrowers, we have to rely on other publicly available information and our internal resources, which may not be effective to assess the credit risk associated with a particular customer. Moreover, customary loan contracts in China may not contain the same types of financial and other covenants as 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.

Investments in commercial banks in China are subject to a number of 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 CBRC 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 approved by the relevant authorities. If a shareholder of a commercial bank in China increases its shareholding above the 5% threshold without obtaining prior approval from CBRC, such shareholder may be subject to sanctions by CBRC, which includes correction of such misconduct, confiscation of illegal gains or fines. In addition, according to our Articles of Association, if a shareholder holds more than 5% of our total Shares in issue without obtaining prior approval from CBRC, such shareholder shall rectify the situation within a prescribed period, and the right of shareholder attached to the relevant shares may not be exercised until the situation is rectified. Furthermore, pursuant to the PRC Company Law, the Corporate Governance Guidelines and our Articles of Association, we do not accept our Shares as collateral for any loans; a Shareholder must notify our Board of Directors before pledging Shares as collateral for himself or others. If a Shareholder who has a seat on the Board of Directors or the Board of Supervisors, or indirectly or jointly holds or controls more than 2% of our Shares or voting rights pledges his Shares, he shall make a filing to the Board of Directors prior to pledge. The filing shall state the basic information of the pledge, including the reasons for the pledge, the number of Shares involved, the terms of the pledge and the particulars of the pledgees. 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 Shares. A Shareholder will also be abstained from voting on our shareholders' general meetings and Board meetings if such Shareholder pledges 50% or more of their Shares pursuant to our Articles of Association. Our Shareholders (especially our major Shareholders) are restricted from voting in Shareholders' general meetings and Board meetings, respectively, if such Shareholder fails to repay outstanding borrowings when due. Any change 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.

Future adoption of new accounting policy may affect our results of operations and financial condition.

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

In addition, we currently record operating lease and finance lease under IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, unless the underlying asset is of low value, in the statement of financial position. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability in the statement of comprehensive income, and also classify cash repayments of the lease liability into principal portion and an interest portion for presentation in the statement of cash flows. As of December 31, 2016, our Bank has non-cancellable operating lease commitments of approximately RMB1.41 billion. However, as of the Latest Practicable Date, we have not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments. Therefore, there is uncertainty as to how this will affect our profit and classification of cash flows.

The transition from business tax to value-added tax may adversely affect our financial condition and results of operations.

The PRC government has been progressively implementing the pilot reform for the transition from business tax to value-added tax in certain regions and industries from 2012. Pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to Value-added Tax (《關於全面開展營業稅改徵增值稅試點的通知》) and the Implementing Measures for the Pilot Program for Transition from Business Tax to Value-added Tax (《營業稅改徵增值稅試點實施辦法》) issued by MOF and SAT on March 23, 2016, the pilot program started to apply to the financial industry from May 1, 2016. We started to calculate and pay value-added tax instead of business tax on the same date.

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

Due to the different basis of value-added tax and business tax, the revenue recognized under the value-added tax regime will be slightly less than that under the business tax regime on condition that the total revenue and other tax liabilities remain unchanged. In accordance with the policies on transition from business tax to value-added tax of the financial industry, there is in general a rise in tax burdens on banks due to such a transition. The increase in tax rate and the change in the basis of taxation will affect our tax burden to a certain extent. In addition, we have only recently become subject to the value-added tax regime. The PRC government may further supplement and amend the relevant policies and rules, and different interpretations may be applied in implementing these policies and rules. Therefore, uncertainties remain as to the tax treatment of our income and expenses under the new value-added tax regime. Hence, implementation of measures such as the transition from business tax to value-added tax may adversely affect our financial condition and results of operations.

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

We classify our loans by using a five-category loan risk classification system in accordance with the guidelines set forth by CBRC. The five categories are normal, special mention, substandard, doubtful and loss. In making relevant assessments for impairment provisions, we determine and recognize provisions by using the concept of impairment under IAS 39. For single substantial loans classified as substandard or lower categories, we make our assessment on an individual basis. For single loans classified as substandard or lower categories which are not material and performing loans, we make a collective assessment based on our historical loss experience in similar portfolios and on current economic conditions. Our loan classification and provisioning policies may be different in certain respects from those for banks incorporated in certain other countries or regions. As a result, our loan classification as well as our allowance for impairment losses, as determined under our loan classification and provisioning policies, may differ from those reported in those countries or regions.

The applicable PRC regulations impose certain limitations on the products which we may invest in and our ability to seek higher investment returns and diversify our investment portfolio is limited; there can be no assurance that our investment will be profitable, or at all.

Investment by commercial banks in China is subject to a number of restrictions. The investment assets of PRC commercial banks traditionally consist primarily of bonds issued by MOF, PBoC, PRC policy banks, PRC commercial banks and corporates. Investment in debt securities carries certain inherent risks, including but not limited to, credit risk, redemption risk and liquidity risk. Although 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, beneficiary rights in margin financing and beneficiary certificates, as a result of changes in the regulatory regimes and market conditions, we cannot assure you that we will be able to achieve investment returns as we expect or not at all. In addition, as a result of the current PRC regulatory restrictions, most of our investment assets are concentrated in a limited variety of investments permitted for PRC commercial banks. The investment assets of PRC commercial banks have demonstrated a relatively high level of correlation such that a decline in the value of some assets is often accompanied by corresponding decreases in the value of other assets. In addition, investments in equity products and non-standard credit assets by commercial banks are also 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.

Our consolidation of minority-owned subsidiaries is subject to substantial accounting judgment.

Our consolidated financial statements during the Track Record Period include the financial statements of our 24 Zhujiang County Banks, all of which are treated as our subsidiaries. A Zhujiang County Bank is consolidated as a subsidiary when we have direct or indirect control over this Zhujiang County Bank. When we hold a minority equity interest in a subsidiary, we achieve control through contractual arrangements with other shareholders or through our rights to appoint majority directors or senior management that are provided in the constituent documents of such subsidiary. We primarily consider three elements when assessing our control over a Zhujiang County Bank, namely (i) our power of control, (ii) our ability to exercise such power of control, or (iii) our exposure to the variable returns from our exercise of control. The assessment of our controlling power over Zhujiang County Banks where we hold a minority interest involves substantial accounting judgment. We reassess whether or not we control a minority-owned subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control as listed above. If any Zhujiang County Bank ceases to be consolidated as one of our subsidiaries, our consolidated results of operations may be adversely affected.

We cannot assure you our deferred income tax assets will be fully realized.

We had deferred income tax assets of approximately RMB1,298 million, RMB2,001 million and RMB3,273 million as of December 31, 2014, 2015 and 2016, respectively. We did not have significant unrecognized deferred income tax assets during the Track Record Period, however, to realize these deferred income tax assets is primarily based on our ability to generate profit in future years, which cannot be assured.

RISKS RELATING TO THE PRC

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

All of our businesses, assets and operations are located in the PRC and our revenues are derived from 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. In particular, the PRC government continues to have significant influence on domestic economic growth through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries and companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform, driven mixed ownership reform for SOEs and established sound corporate governance policies for business enterprises. These economic reform measures may be adjusted, modified or applied differently from industry to industry or across different regions of the country. As a result, some of these measures may benefit the domestic economy as a whole, but may have an adverse effect on us. For example, our results of operations may be adversely affected by government control over capital investments or changes in applicable tax regulations. In addition to participating directly in market activities, the PRC government has the authority to implement macroeconomic policies and measures affecting the domestic economy on a broader scale, including adjusting the benchmark interest rates and statutory deposit reserve ratio applicable to PRC commercial banks, implementing lending restrictions and issuing guidelines for industry development to promote or limit the growth of certain industries. Changes in the macroeconomic and other conditions as a result of the PRC government policies and measures may affect our business, financial condition and results of operations.

Our performance has been and will continue to be affected by China's economy. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. However, the global financial crisis in 2008 has led to a slowdown in the economic growth of the PRC. For example, the GDP growth rate of the PRC decreased from 11.4% in 2007 to 7.4% in 2014, and further decreased to 6.9 % in 2015, which was the lowest in 25 years. Any significant slowdown in China's economy could have a material adverse effect on the PRC banking industry as well as our business, financial condition and results of operations.

Moreover, the uncertainties relating to the political environment in various regions of the world may also impact China's economic growth. For example, on June 23, 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). It is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and globally. The uncertainty may also create a negative economic impact and increase volatility in global markets.

The global economic slowdown and financial market turmoil have adversely affected banking business and consumer confidence. The uncertainty in the global, political and economic environment may continue to adversely impact the economic growth of PRC. In addition, any further tightening of liquidity in the global financial markets may in the future negatively affect our liquidity. If the global and PRC economic slowdown and financial crisis continue or become more severe than currently anticipated, our business, prospects, financial condition and results of operations could be materially and adversely affected.

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, financial condition and results of operations.

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

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

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

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

Our Bank is a joint stock company with limited liability incorporated under the laws of the PRC with limited liability, and substantially all of its assets are located in the PRC. In addition, a majority of its Directors, Supervisors and all of its 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 our Bank or most of its Directors, Supervisors and senior management personnel, 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 Administration Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"). Under the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly selected as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. In addition, the Arrangement has expressly provided for "enforceable final judgment," "specific legal relationship" and "written form" only. A final judgment that does not comply with the Arrangement may not be recognized and enforced in a PRC court and we cannot assure you that a final judgment that complies with the Arrangement can be recognized and enforced in a PRC court.

We are subject to the 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.

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

Under China's existing laws and regulations on foreign exchange, following the completion of the Global Offering, we will be able to make dividend payments in foreign currencies by complying with certain procedural requirements and without prior approval from SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. As a result, we may not be able to pay dividends in foreign currencies to holders of our H Shares.

The value of the RMB against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in China's and international political and economic conditions and fiscal and foreign exchange policies of the PRC government. On July 21, 2005, the PRC government adopted a more flexible floating exchange rate management 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 Center with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. On the same day, the central parity of RMB against the U.S. dollar depreciated by nearly 2% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. On September 30, 2016, the International Monetary Fund announced that the Renminbi joins its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. In addition, there remains significant international pressure on the PRC government to adopt a more flexible currency policy. With the development of the foreign exchange market and progress towards interest rate liberalization and RMB internationalization, the PRC government may in the future announce further changes in the exchange rate system.

As of December 31, 2016, approximately 0.3% of our financial assets and 0.2% of our financial liabilities were denominated in foreign currencies. However, our foreign currency business may expand and, therefore, any appreciation of the RMB against the U.S. dollar or any other foreign currencies may result in a decrease in the value of our foreign currency-denominated assets. Conversely, any devaluation of the RMB may adversely affect the value of, and any dividends payable on, our H Shares in foreign currencies. As the instruments available for us to hedge our exchange rate risk at reasonable costs are limited, we cannot assure you that we will be able to fully hedge our exchange rate risk exposure relating to our foreign currency-denominated assets. Any appreciation of the RMB against the U.S. dollar or any other foreign currencies may materially and adversely affect the financial condition of certain of our customers, particularly those deriving substantial income from export related businesses. As a result, their ability to perform their obligations to repay their debt to us may be adversely impacted. Furthermore, we are also currently required to obtain approval from SAFE before converting large amounts of foreign currencies into RMB. All of these factors could adversely affect our financial condition and results of operations.

Holders of H Shares may be subject to the 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 and gains realized upon the sale or other disposal of our H Shares. Non-PRC resident individuals are generally subject to the 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 the Notice of the State Administration of Taxation on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] no. 045 (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by SAT on June 28, 2011, generally, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10%. If the rate of 10% is not applicable, companies which act as the tax withholders should (i) apply for refund of the additional amount being withheld in accordance with the relevant procedures in case of the individual receiving dividend being a resident of a country where the agreed rate is less than 10%; (ii) withhold the individual income tax based on the effective agreed rate when the applicable rate is between 10% and 20%, and application procedures are required; and (iii) withhold the individual income tax at the rate of 20% when there is no applicable tax treaty. There remains uncertainly as to whether gains realized upon disposal of H Shares by non-PRC domestic resident individuals are subject to the 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 the PRC enterprise income tax at the rate of 10% on dividends received from 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 were no specific rules about how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares.

There remains uncertainty as to how the PRC tax laws, regulations and statutory documents are interpreted and implemented by the PRC tax authorities. The 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. See Appendix VI—"Taxation and Foreign Exchange" to this prospectus for details.

U.S. FATCA withholding tax may be imposed on payments on the H Shares.

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and applicable U.S. Treasury Regulations commonly referred to as "FATCA" generally impose an information reporting regime and potentially a 30% withholding tax with respect to certain payments to any non-U.S. financial institution (an "FFI") that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("IRS") to provide the IRS with certain information in respect of its account holders and investors (a "FATCA Agreement") or is not otherwise exempt from, or in deemed compliance with, FATCA, including by reason of being in compliance with an applicable intergovernmental agreement between the United States and the jurisdiction in which the FFI operates (an "IGA"). Beginning with payments made after the later of January 1, 2019 and the date that is six months after the date on which final regulations defining the term "foreign passthru payments" are published in the U.S. Federal Register, an FFI may be required to withhold under FATCA in respect of "foreign passthru payments" made to other FFIs that are not Participating FFIs or otherwise exempt from or in deemed compliance with FATCA or to persons that are account holders of such FFI that fail to provide information sufficient to determine whether such person is exempt from FATCA withholding.

The PRC and a number of other jurisdictions, have entered into, or have agreed in substance to, IGAs with the US to facilitate the implementation of FATCA. FFIs or branches of FFIs established in a jurisdiction that has entered into an IGA (including a jurisdiction, such as the PRC which has reached an agreement in substance with the U.S. on the terms of an IGA), and which are treated as in compliance with the requirements of such IGA and any implementing legislation, generally are not subject to withholding under FATCA on any payments they receive and are not expected to be required to withhold under FATCA or the relevant IGA (or any legislation implementing such IGA) from payments that they make to others, but generally would be required to collect and report certain information in respect of certain account holders and investors to the IRS or to local tax authorities as may be provided in the relevant IGA, in which case such local tax authorities generally will be obligated to share such information with the IRS. We and certain of our subsidiaries may be subject to U.S. withholding tax under FATCA on certain payments we receive unless we or they enter into a FATCA Agreement or are subject to and in compliance with an applicable IGA. We expect that we and our subsidiaries will be subject to the IGA between the U.S. and the PRC and intend to comply with the requirements of such IGA and any implementing PRC legislation.

Notwithstanding that final regulations defining the term "foreign passthru payments" have not yet been published in the U.S. Federal Register, we do not expect that payments we make will be considered foreign passthru payments. Therefore, we do not expect that we will be required to withhold any amount in respect of FATCA from distributions that we make on the H shares. However, a financial institution through which payments are made may be required to withhold under FATCA if such intermediary is not exempt from FATCA withholding (including pursuant to the terms of any applicable IGA). Investors should consult their tax advisers regarding the application of the FATCA rules to an investment in H Shares.

Payment of dividends is subject to restrictions under the PRC laws.

Under the PRC law and our Articles of Association, dividends may be paid only out of distributable profits. Our profit distribution plan is subject to approval by a Shareholders' general meeting. In addition to the financial statements prepared in accordance with the PRC accounting standards and regulations, we will also prepare financial statements in accordance with IFRS. Our profit after tax available for distribution for a particular financial year shall be the lower of profit after tax as shown in the financial statements prepared under either of the two accounting standards mentioned above. We are prohibited from paying dividends for a given year out of our profit after tax to our Shareholders in proportion to their respective shareholdings before making up any accumulated losses of previous years and making appropriations to the statutory surplus reserve and general reserve as well as discretionary reserve as approved by our Shareholders' meeting. As a result, we may not have distributable profits to distribute dividends to our Shareholders for the accounting period when profits were recorded. Any distributable profits not distributed in a given year may be retained and available for distribution in subsequent years. In addition, CBRC has discretion to restrict dividend payments and other distributions by any bank that has failed to meet statutory capital adequacy ratio requirements or that has violated certain other PRC banking regulations.

Any future occurrence of major natural disasters or outbreaks of contagious diseases, wars or terrorist activities in the PRC may have a material adverse effect on our business, financial condition and results of operations.

Any future occurrence of major natural disasters or outbreaks of fatal health epidemics and contagious diseases, wars or terrorist activities in the PRC may severely disrupt our business and materially and adversely affect our financial condition and results of operations. An outbreak of a health epidemic or contagious disease could cause a widespread health crisis and hamper business activities in affected areas, which could in turn severely disrupt our operations. The future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, or measures taken by the PRC government or even other countries in response to such outbreaks of health epidemics and contagious diseases, wars or terrorist activities may also seriously interrupt our operations or those of our customers, which could have a material adverse effect on our financial condition and results of our operations.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

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

Future offerings, sales, perceived sales or conversion of substantial amounts of Shares in the public market (including any future conversion of unlisted Shares into H Shares) could materially and adversely affect the prevailing market price of our H Shares and our ability to raise additional capital in the future, or could result in dilution in shareholding of our H Shareholders.

The market price of our H Shares could decline as a result of future offerings or 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.

Upon the completion of the Global Offering, we will have two classes of ordinary shares, H Shares and Domestic Shares. All of our Domestic Shares are unlisted Shares which are not listed or traded on any stock exchange. Assuming the Over-allotment Option is not exercised, there will be 1,582,900,000 H Shares representing 16.5% of our enlarged share capital and 8,009,518,539 Domestic Shares representing 83.5% of our enlarged share capital. Our unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares, any requisite internal approval processes shall have been duly completed and the approval from the relevant regulatory authorities, including CSRC, shall have been obtained in accordance with the regulations of the State Council's securities regulatory authorities as well as regulations, requirements and procedures of relevant overseas stock exchanges. The listing of such converted Shares on the Hong Kong Stock Exchange will also require the approval by the Hong Kong Stock Exchange. No class shareholder vote is required for the conversion of such Shares and the listing and trading of the converted Shares on an overseas stock exchange. Future sales, or perceived sales, of the converted Shares may adversely affect the trading price of H Shares.

Because the Offer Price of our H Shares may be higher than our net tangible book value per Share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchase.

The Offer Price of our H Shares may be higher than our pro forma adjusted net tangible book value per Share of the outstanding Shares as of December 31, 2016. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value and our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our H Shares may experience a further dilution of their shareholding percentage if the Joint Representatives on behalf of the International Underwriters exercise the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

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

We declared and distributed cash dividends of RMB2,038 million, RMB2,283 million and RMB1,631 million for the years ended December 31, 2014, 2015 and 2016, respectively. Dividends paid in prior periods may not be indicative of future dividend payments. There can be no assurance when, if and in what form or size dividends will be paid in the future. The determination of whether to pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board of Directors deem relevant. We may not have sufficient or any profits for dividend distributions in the future, even if our financial statements indicate that our operations have been profitable. See "Financial Information—Dividend."

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

Facts, forecasts and statistics in this prospectus relating to the PRC, the PRC economy and the PRC and global banking industries, including our market share information, are derived from various governmental sources and information published by various government authorities and departments, such as PBoC, CBRC, the International Monetary Fund, the Statistics Bureaus of Guangdong 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. However, the information has not been independently verified by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or their respective directors or any other person involved in the Global Offering, and no representation is given as to its accuracy. In addition, these facts, forecasts and statistics may not be consistent with information available from other sources, and may not be complete or up to date. As a result, you should not place undue reliance on such information.

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. The Directors, having made all reasonable inquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC AND CBRC APPROVALS

We obtained approvals from CBRC Guangdong Office and CSRC for the Global Offering and the application to list our H Shares on the Hong Kong Stock Exchange, on December 23, 2016 and March 10, 2017, respectively. In granting such approvals, neither CBRC Guangdong Office nor CSRC accepts any responsibility for our financial soundness, or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

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

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Global Offering is managed by the Joint Representatives. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about the Price Determination Date, subject to determination of the pricing of the Offer Shares. For further details about the Underwriters and the underwriting arrangements, see "Underwriting."

The H Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Bank, the Selling Shareholders, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other parties involved in the Global Offering.

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

DETERMINATION OF THE OFFER PRICE

The H Shares are being offered at the Offer Price which will be determined by the Joint Representatives (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) on or around Tuesday, June 13, 2017 or such later date as may be agreed upon between the Joint Representatives (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders), and in any event no later than Monday, June 19, 2017. If the Joint Representatives (for themselves and on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) are unable to reach an agreement on the Offer Price on such date, the Global Offering will not proceed and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

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

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

SELLING SHAREHOLDERS

	Name	Number of Sale Shares (assuming the Over-allotment Option is not exercised)	Number of Sale Shares (assuming the Over-allotment Option is exercised in full)
1	Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司)	29,487,314	33,910,412
2	Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司)	27,238,962	31,324,806
3	Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司)	25,764,633	29,629,328
4	Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司)	25,027,469	28,781,589
5	Guangzhou Department Stores Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司)	15,444,332	17,760,981
6	Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司)	11,057,466	12,716,086
7	Guangzhou Jinjun Investments Holding Co., Ltd. (廣州金駿投資控股有限公司)	3,649,701	4,197,156
8	Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司)	2,690,650	3,094,248
9	Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司)	1,474,329	1,695,478
10	Guangzhou Textiles Industry & Trade Holdings Ltd. (廣州紡織工貿企業集團有限公司)	737,164	847,739
11	Guangzhou Port Group Co., Ltd. (廣州港集團有限公司)	568,038	653,243
12	Guangzhou Development District Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司)	737,164	847,739
13	Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司)	22,778	26,195
	Total	**143,900,000**	**165,485,000**

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares including: (i) any H Shares which may be issued by our Bank pursuant to the Global Offering and upon the exercise of the Over-allotment Option; and (ii) the H Shares converted from Domestic Shares and offered by the Selling Shareholders pursuant to the Global Offering and upon the exercise of the Over-allotment Option. Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Tuesday, June 20, 2017.

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

H SHARE REGISTER AND STAMP DUTY

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

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

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by us, dividends payable in Hong Kong Dollars in respect of H Shares will be paid to Shareholders as recorded in our H Share register, and sent by ordinary post, at the H Share Shareholders' own risk, to the registered address of holders of H Shares.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

In accordance with the requirements of Rule 19A.52 of the Listing Rules, we have instructed the H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until such holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

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

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

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

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

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as such term is defined in the Listing Rules) of any of our Directors or an existing Shareholder or a nominee of any of the foregoing.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares is set forth in "How to Apply for Hong Kong Offer Shares" and the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

For details of the structure of the Global Offering, including its conditions, see "Structure of the Global Offering."

OVER-ALLOTMENT OPTION AND STABILIZATION

For details of the arrangements relating to the Over-allotment Option and the stabilization, see "Structure of the Global Offering."

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into U.S. dollars and Hong Kong Dollars and of certain Hong Kong Dollars into US dollars at specified rates. No representation is made that the amounts denominated in one currency could actually be converted into another currency at the rates indicated or at all. Unless we indicate otherwise, (i) the translation of Renminbi into U.S. dollars was made at the rate of RMB6.8698 to US$1.00, the median rate published by the China Foreign Exchange Trade System with the authorization by PBoC for foreign exchange transactions prevailing on May 26, 2017; (ii) the translation of Hong Kong Dollars into U.S. dollars was made at the rate of HK$7.7923 to US$1.00, the noon buying rate in effect on May 26, 2017 as set forth in the H.10 weekly statistical release of the Federal Reserve Board; and (iii) the translation of Renminbi into Hong Kong Dollars was made at the rate of RMB0.88171 to HK$1.00, the median rate published by the China Foreign Exchange Trade System with the authorization by PBoC for foreign exchange transactions prevailing on May 26, 2017.

LANGUAGE

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

ROUNDING

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

WAIVER FROM HONG KONG FINANCIAL DISCLOSURE REQUIREMENTS

Rule 4.10 of the Listing Rules states that the information to be disclosed in respect of Rules 4.04 to 4.09 of the Listing Rules must be in accordance with the best practices under Hong Kong Financial Reporting Standards, IFRS or China Accounting Standards for Business Enterprises in the case of PRC issuers. In the case of banking companies, the Guideline on the Application of the Banking (Disclosure) Rules issued by HKMA must be complied with for disclosure.

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

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

Our position in relation to disclosures under the Banking (Disclosure) Rules

Section Number	Disclosure requirements[1]	Reason for a Waiver in Relation to the Specific Disclosure	Proposal for Disclosure	Expected Timing for Full Compliance
47	An authorized institution shall disclose the gross amount of loans and advances to customers, broken down into loans and advances for use in Hong Kong (and further into various sectors and uses as specified in section 47(a) of the Banking (Disclosure) Rules), trade finance, and loans and advances for use outside Hong Kong.	We maintain a breakdown of loans and advances to customers by industry sector as set out in the Classification and Codes of National Economic Industries in our loans system for the purpose of filing returns to CBRC.	For us, all loans and advances to customers are extended in the PRC instead of in Hong Kong. We are subject to the supervision of CBRC and maintain a breakdown of loans and advances to customers by industry sector based on the classification system as prescribed by CBRC, e.g., loans are categorized into corporate loans, personal loans and discounted bills which are further classified into detailed sub-categories by industry/ nature. We have disclosed loans and advances to customers by industry sectors in accordance with its management reports based on the CBRC classification in Note 47(a)(ii) to the Accountants' Report as set	N/A

Section Number	Disclosure requirements(1)	Reason for a Waiver in Relation to the Specific Disclosure	Proposal for Disclosure	Expected Timing for Full Compliance
			out in Appendix I of this prospectus. We consider that the current disclosure is sufficient to serve HKMA's disclosure objectives.	
50	An authorized institution shall disclose its non-HK$ currency exposures which arise from trading, non-trading and structural positions in accordance with the return relating to non-HK$ currency positions it submitted to HKMA pursuant to the requirements under section 63 of the Banking Ordinance in respect of the annual reporting period.	Our accounts are settled in RMB, which means that we only disclose non-RMB currency exposures instead of non-HK$ currency exposures.	N/A	N/A
53-64	Additional annual disclosure to be made by an authorized institution using STC approach to calculate its credit risk for non-securitization exposures.	The computation basis for risks adopted by us is promulgated by CBRC as set out in the Core Indicators (Trial).	We can provide relevant capital structure and adequacy in accordance with the disclosure requirements from CBRC. We believe that such requirements attempt to address similar disclosure objective of the requirements under the Banking (Disclosure) Rules.	N/A

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

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

Certain provisions of the Banking (Disclosure) Rules require disclosure in respect of our capital structure, capital base (in particular, relating to our level of capital adequacy), cross-border claims, liquidity ratios, PRC non-bank exposures and credit risks. We have maintained and compiled data relating to these matters in accordance with the regulatory requirements of CBRC and PBoC. We believe that the CBRC and PBoC requirements attempt to address similar disclosure considerations of the requirements under the Banking (Disclosure) Rules and the differences between the above disclosure requirements under the two regulatory regimes are minimal and immaterial. If we attempt to comply with such requirements under the Banking (Disclosure) Rules in parallel with the CBRC and PBoC regulations, we would be required, in our view, to carry out additional work to compile similar information already required and maintained in accordance with the CBRC and PBoC regulations. As a result, we propose to disclose information in compliance with the CBRC and PBoC regulations in this regard instead of strictly following the disclosure regime provided for under the Banking (Disclosure) Rules, which will result in the compilation of similar data. We are of the view that this prospectus will contain sufficient information for investors to make their fully informed investment decision notwithstanding the differences between the CBRC and PBoC requirements on the one hand, and the requirements under the Banking (Disclosure) Rules on the other hand. The Joint Sponsors concur with the view of our Bank based on the reasoning above.

Based on the above, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 4.10 of the Listing Rules, such that we will not fully comply with the requirements in respect of the financial disclosures provided for under the Banking (Disclosure) Rules on the condition that we provide alternative disclosure in accordance with the regulatory requirements of CBRC and PBoC.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

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

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

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

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

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the Listing Date, on the condition that Ms. Li is engaged as a joint company secretary and provides assistance to Ms. Zheng during this period. If Ms. Li ceases to render assistance to

Ms. Zheng during this period, the waiver will be immediately withdrawn. Upon expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Ms. Zheng to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied. We and Ms. Zheng would then endeavor to demonstrate to the Hong Kong Stock Exchange's satisfaction that Ms. Zheng, having had the benefit of Ms. Li's assistance, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules, so that a further waiver would no longer be necessary.

WAIVER IN RELATION TO MANAGEMENT PRESENCE

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

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

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

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

(d) we have appointed a compliance advisor, China International Capital Corporation Hong Kong Securities Limited, pursuant to Rule 3A.19 and 19A.05 of the Listing Rules to act as our additional channel of communication with the Hong Kong Stock Exchange, and the representative(s) of the compliance advisor will be fully available to answer inquiries from the Hong Kong Stock Exchange. The compliance advisor will have access at all times to our authorized representatives, the Directors and our other senior management to ensure that it is in a position to provide prompt responses to any inquiries or requests from the Hong Kong Stock Exchange in respect of us.

WAIVER FROM STRICT COMPLIANCE WITH RULES 4.04(2) AND 4.04(4) OF THE LISTING RULES

Pursuant to Rules 4.04(2) and 4.04(4) of the Listing Rules, the issuer shall include in its accountants' report the results and balance sheet of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Zhuzhou Rural Credit Cooperative (株洲縣農村信用合作聯社) ("**ZRCC**") is a rural credit cooperative based in Zhuzhou, Hunan Province and is principally engaged in the provision of banking services through its business outlets in the county. On January 5, 2016, our Bank entered into a memorandum of understanding (the "**Memorandum**") with ZRCC, CBRC Hunan Office, the Hunan Rural Credit Union (湖南省農村信用社聯合社) and Zhuzhou County People's Government (株洲縣人民政府) in relation to a possible investment by our Bank (the "**Possible Investment**") upon the proposed restructuring of ZRCC into a rural commercial bank ("**Zhuzhou Zhujiang Rural Commercial Bank**"). Our Directors have confirmed that, having made all reasonable enquiries and to the best of their knowledge, information and belief, ZRCC and its ultimate beneficial owner, if any, are third parties independent of our Bank and connected persons of our Bank.

The Memorandum contains, *inter alia*, the following principal terms:

- Setting up of a preparatory committee with an aim to completing the proposed restructuring of ZRCC into Zhuzhou Zhujiang Rural Commercial Bank, members of which shall include delegates from the parties to the Memorandum. Our Bank may, if so permitted by the preparatory committee, participate in the proposed management restructuring process;
- Introduction of our Bank as a strategic investor through share subscription. Subject to applicable laws and governmental approvals, our Bank has agreed to hold no less than 51% of shareholding in Zhuzhou Zhujiang Rural Commercial Bank;
- Subject to approval and appointment by the board of directors or general meeting of Zhuzhou Zhujiang Rural Commercial Bank, our Bank may nominate members of senior management of Zhuzhou Zhujiang Rural Commercial Bank;
- The other four parties to the Memorandum shall not accept any other strategic investor or enter into agreement with any potential investor, being a third party, in contemplation of the same unless our Bank withdraws from the proposed restructuring; and
- Our Bank shall be entitled to withdraw from the proposed restructuring if: (i) the other parties to the Memorandum fail to perform their respective obligations under the Memorandum; or (ii) the asset and capital verification of ZRCC, being part of the proposed restructuring process, reveals that the status quo of ZRCC differs materially from

the information previously provided to our Bank; or (iii) ZRCC does not possess the qualifications of incorporation of a rural commercial bank; or (iv) our Bank fails to obtain the approval from regulatory departments required for the Possible Investment.

Our Bank considers that the Possible Investment would represent an opportunity for our Bank to strengthen its presence and business operations in Hunan Province and to assist our Bank to expand its business network. By entering into a strategic partnership with Zhuzhou Zhujiang Rural Commercial Bank through the Possible Investment, our Bank will achieve mutual benefits in operation and management, product development, corporate governance and financing which would enhance market competitiveness and risk tolerance of both parties.

On December 19, 2016, the preparatory committee commenced promotion of Zhuzhou Zhujiang Rural Commercial Bank. On January 10, 2017, our Bank pre-paid RMB419.22 million to ZRCC for purchase of ZRCC's non-performing loans and financial liabilities and as general risk reserve of Zhuzhou Zhujiang Rural Commercial Bank. Such amount was determined with reference to the results of the verification and appraisal of assets of ZRCC and on the basis that our Bank would hold no less than 51% of shareholding in Zhuzhou Zhujiang Rural Commercial Bank. Such payment can be refunded to our Bank if the regulatory approvals from the relevant regulatory departments, including but not limited to the People's Government of Hunan Province (湖南省人民政府) and the Hunan Rural Credit Union, for the Possible Investment are not obtained or if the Zhuzhou Zhujiang Rural Commercial Bank is unable to establish. Save as disclosed above, as of the Latest Practicable Date, the proposed restructuring of ZRCC was still ongoing. Our Bank is also in the process of obtaining regulatory approvals for the Possible Investment from regulatory departments, including Guangzhou SASAC and CBRC Guangdong Office, and a formal agreement regarding the Possible Investment had not yet been confirmed. Specific terms of the Possible Investment, if materializes, will be confirmed after negotiations and upon signing of a formal agreement between the relevant parties. Our Bank will ensure that the transaction terms of the official agreement are fair and reasonable, Possible Investment is on normal commercial terms or better and in the interests of our Bank and our Shareholders as a whole. If our Bank enters into any legally binding agreement in respect of the Possible Investment after Listing, we will comply with the relevant Listing Rules requirement (including Chapter 14 of the Listing Rules).

Based on the management accounts of ZRCC prepared in accordance with the PRC GAAP, the unaudited net asset value of ZRCC amounted to RMB98.16 million and RMB79.76 million as of December 31, 2015 and December 31, 2016, respectively, ZRCC recorded unaudited operating income of RMB107.63 million for the year ended December 31, 2014, RMB116.70 million for the year ended December 31, 2015 and RMB140.70 million for the year ended December 31, 2016 and recorded unaudited profit before taxation and after taxation of RMB24.06 million and RMB18.03 million, respectively, for the year ended December 31, 2014, RMB26.97 million and RMB20.56 million, respectively, for the year ended December 31, 2015 and RMB28.00 million and RMB24.26 million, respectively, for the year ended December 31, 2016. Based on the estimate of our Bank as of the Latest Practicable Date, the investment amount to be contributed by our Bank in relation to the Possible Investment, which shall be determined by reference to the percentage of shareholding of our Bank in Zhuzhou Zhujiang Rural Commercial Bank and its appraised value and the funding requirements to be determined according to the progress of the verification and appraisal of assets and the management restructuring of the ZRCC and the applicable laws and governmental approvals, would not be more than RMB995.4 million in cash. The related amount is expected to be paid by cash in installments through internal resources.

Under such circumstances, our Bank has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules on the following grounds:

(a) **Immateriality**—the Possible Investment is immaterial to our Bank. Based on the unaudited management accounts of ZRCC prepared in accordance with the PRC GAAP, the results of the relevant size tests regarding assets, profits, revenue and consideration calculated pursuant to Rule 14.07 of the Listing Rules are all less than 5%. It is expected that Zhuzhou Zhujiang Rural Commercial Bank would not become a material subsidiary of our Bank despite the completion or materialization of Possible Investment.

(b) **Undue burden to obtain and prepare historical financial information of Zhuzhou Zhujiang Rural Commercial Bank**—due to the uncertainty of materialization of the Possible Investment, non-involvement in the daily operations of ZRCC by our Bank and lack of control by our Bank over ZRCC and its management as of the Latest Practicable Date, it would require considerable time and resources for our Bank and its Reporting Accountants to fully familiarize with the accounting policies of ZRCC and to gather and compile the necessary financial information and supporting documents for disclosure in the listing document of our Bank. As such, it would be unduly burdensome for our Bank to obtain and prepare the historical financial information of ZRCC required by Rules 4.04(2) and 4.04(4) of the Listing Rules.

(c) **Alternative disclosure**—our Bank has provided in this prospectus alternative information regarding the Possible Investment and ZRCC, with a view to enabling the potential investors to understand ZRCC in greater detail, which includes (i) general description of the principal business activities of ZRCC; (ii) principal terms of the Memorandum; (iii) financial information of ZRCC which would be required for disclosure for a disclosable transaction under Chapter 14 of the Listing Rules; (iv) estimated amount of the Possible Investment, how the consideration will be satisfied and the payment terms; (v) the reasons for entering into the Memorandum, the benefits which are expected to accrue as a result of the Possible Investment and the reasonableness of the terms; and (vi) our Directors' confirmation that having made all reasonable enquiries and to the best of their knowledge, information and belief, ZRCC and its ultimate beneficial owner, if any, are third parties independent of our Bank and connected persons of our Bank.

CLAWBACK MECHANISM UNDER PARAGRAPH 4.2 OF PRACTICE NOTE 18 OF THE LISTING RULES

Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. An application has been made for, and the Hong Kong

Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that the initial allocation of Offer Shares under the Hong Kong Public Offering shall be approximately 7.5% of the Global Offering. In the event of over-subscription under the Hong Kong Public Offering, the Joint Representatives (for themselves and on behalf of the Underwriters) shall apply for an alternative clawback mechanism to the provisions under paragraph 4.2 of Practice Note 18 of the Listing Rules, following the closing of the application lists as follows:

i. 118,718,000 Offer Shares, representing approximately 7.5% of the total number of the Offer Shares which are initially available in the Global Offering;

ii. If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 30 times the number of Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 189,948,000 Offer Shares, representing 12% of the Offer Shares initially available under the Global Offering;

iii. If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 30 times or more but less than 60 times the number of Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 237,436,000 Offer Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering; and

iv. If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 60 times or more the number of Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offer, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 474,870,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, under particular circumstances, be reallocated as between these offerings by the Joint Representatives. Subject to the foregoing paragraph, the Joint Representatives would have the discretion to allocate Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. On the other hand, if the Hong Kong Public Offering is under-subscribed, the Joint Representatives will have the discretion to reallocate unsubscribed Hong Kong Offer Shares to the International Offering in such amounts as they deem appropriate. For details of the clawback mechanism, see "Structure of the Global Offering."

WAIVER IN RELATION TO PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules generally requires that at least 25% of an issuer's total issued share capital must at all times be held by the public. However, Rule 8.08(1)(d) of the Listing Rules provides that the Stock Exchange may, at its discretion, accept a lower percentage of between

15% and 25%, if a new applicant meets the following requirements under Rule 8.08(1)(d) of the Listing Rules:

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

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

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

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

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

To maintain the flexibility of a lower public float upon and after listing, the Bank has applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, and the Hong Kong Stock Exchange has granted the Bank a waiver from strict compliance with the requirements such that the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules be reduced and the minimum percentage of the H Shares (being the securities for which listing on the Hong Kong Stock Exchange is sought) from time to time held by the public will be the highest of:

(a) 15% of the total issued share capital of the Bank;

(b) such percentage of H Shares to be held by the public immediately after completion of the Global Offering (assuming no exercise of the Over-Allotment Option is not exercised); or

(c) such percentage of H Shares to be held by the public after the exercise of the Over-Allotment Option.

In support of the application, the Bank confirmed to the Stock Exchange that:

(a) it is currently expected that the Bank will have a market capitalization of approximately HK$47,866 million to HK$50,552 million at the time of Listing (i.e., giving effect to completion of the Global Offering but without taking into account the exercise of the Over-allotment Option), which will meet the minimum level of market capitalization requirement for a lower public float required by Rule 8.08(1)(d) of the Listing Rules;

(b) there will be an open market in the H Shares and that the number of H Shares concerned and the extent of their distribution would enable the market to operate properly with only 15% of the total issued share capital of the Bank in public hands from time to time;

(c) the Bank will undertake make appropriate disclosure of the lower prescribed percentage of public float of the Bank in this prospectus and to confirm the sufficiency of the public float in successive annual reports after the Listing; and

(d) the Bank will comply with Rules 8.08(2) and 8.08(3) of the Listing Rules at the time of the Listing and will also implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float prescribed by the Hong Kong Stock Exchange.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Wang Jikang (王繼康) (*Chairman*)	Room 1101, Building J Central Courtyard Huijing North Street Favorview Palace Tianhe District Guangzhou Guangdong Province PRC	Chinese
Mr. Yi Xuefei (易雪飛) (*Vice Chairman*)	385-2, Yahuju Agile Garden 398 Xingnan Avenue Nancun Town Panyu District Guangzhou Guangdong Province PRC	Chinese
Mr. Wu Huiqiang (吳慧強)	Room 1604 No. 38 Taojin Street Yuexiu District Guangzhou Guangdong Province PRC	Chinese
Non-executive Directors		
Mr. Su Zhigang (蘇志剛)	No. 18 Zhupo Alley Gaodi Street Dashi Street Panyu District Guangzhou Guangdong Province PRC	Chinese
Mr. Shao Jianming (邵建明)	No. 25 Huayuan Yi Street Yuexiu District Guangzhou Guangdong Province PRC	Chinese
Mr. Li Fangjin (李舫金)	Room 203, Building 29 Middle District of South China Normal University No. 55 Zhongshan Road West Tianhe District Guangzhou Guangdong Province PRC	Chinese

Name	Residential Address	Nationality
Mr. Zheng Shuping (鄭署平)	Room 2301 No. 134 Huacheng Road Tianhe District Guangzhou Guangdong Province PRC	Chinese
Mr. Zhu Kelin (朱克林)	Room 2903 No. 38 Huajing North Street Tianhe District Guangzhou Guangdong Province PRC	Chinese
Mr. Zhang Yongming (張永明)	29-3-601 WanQuan Xinxin Jiayuan Wanliu East Road Haidian District Beijing PRC	Chinese
Mr. Liu Guojie (劉國杰)	No. 1 Yutian Street Baijiang Village Xintang Town Zengcheng District Guangzhou Guangdong Province PRC	Chinese
Independent Non-executive Directors		
Mr. Song Guanghui (宋光輝)	Room 901, Building 4 East One District of South China University of Technology No. 381 Wushan Road Tianhe District Guangzhou Guangdong Province PRC	Chinese
Mr. Liu Heng (劉恒)	Room 1401, Unit 2, Building 6 No. 1 StarRiver Peninsula No.480 Shaxi Road Panyu District Guangzhou Guangdong Province PRC	Chinese
Mr. Liu Shaobo (劉少波)	Room 2103, Building C Sunshine City Shipai East Road Tianhe District Guangzhou Guangdong Province PRC	Chinese

Name	Residential Address	Nationality
Mr. Zheng Jianbiao (鄭建彪)	2-1-1601 Xianghai Garden Fanhai International Living Area No. 95 Yaojiayuan Road Chaoyang District Beijing PRC	Chinese
Mr. Yung Hin Man Raymond (容顯文)	Flat B2, 2nd Floor Summit Court, 150 Tin Hau Temple Road, Hong Kong	British

SUPERVISORS

Name	Residential Address	Nationality
Mr. Liu Wensheng (劉文聖) (*Chairman*)	Room 401 No.7 Dongguanxun Yuexiu District Guangzhou Guangdong Province PRC	Chinese
Mr. Xiao Shilian (肖世練)	Room 601, Building 10 Qiangwei Court Wanke Sijihuacheng Huang Qi Nanhai District Foshan Guangdong Province PRC	Chinese
Ms. He Heng (賀珩)	No. 6 Lun Yuan Miao Qian West Road Yuexiu District Guangzhou Guangdong Province PRC	Chinese
Mr. Huang Yong (黃勇)	Room 1503 No. 429 Yanjiang East Road Yuexiu District Guangzhou Guangdong Province PRC	Chinese
Mr. Lu Lian (盧練)	Zhenyang Central Road Lianjiangkou Residential Committee Lianjiangkou Town Yingde Guangdong Province PRC	Chinese

Name	Residential Address	Nationality
Mr. Zhang Dalin (張大林)	Room 201 No. 120 Lianghua New Village South Pengjiang District Jiangmen Guangdong Province PRC	Chinese
Mr. Mao Yunshi (毛蘊詩)	Room 501 No. 603 Sun Yat-sen University Puyuan Community Haizhu District Guangzhou Guangdong Province PRC	Chinese
Mr. Shao Baohua (邵寶華)	No. 5 Haibu Guangming Road Shiling Town Huadu District Guangzhou Guangdong Province PRC	Chinese
Mr. Chen Dan (陳丹)	Room 401, Building 4 No. 8 Wenming East Road Xiashan District Zhanjiang Guangdong Province PRC	Chinese

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

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

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

	ABCI Capital Limited 11/F., Agricultural Bank of China Tower 50 Connaught Road Central Central Hong Kong
Financial Advisor	**AMTD Asset Management Limited** Suite 1308 13/F AIA Central 1 Connaught Road Central Central Hong Kong
Joint Global Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Center 1 Harbor View Street Central Hong Kong
	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
	ABCI Capital Limited 11/F., Agricultural Bank of China Tower 50 Connaught Road Central Central Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
	AMTD Asset Management Limited Suite 1308 13/F AIA Central 1 Connaught Road Central Hong Kong
	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central, Hong Kong

	CMB International Capital Limited Units 1803-4, 18/F, Bank of America Tower 12 Harcourt Road Central, Hong Kong
Joint Bookrunners	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Center 1 Harbor View Street Central Hong Kong
	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
	ABCI Capital Limited 11/F., Agricultural Bank of China Tower 50 Connaught Road Central Central Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
	AMTD Asset Management Limited Suite 1308 13/F AIA Central 1 Connaught Road Central Hong Kong
	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central, Hong Kong
	CMB International Capital Limited Units 1803-4, 18/F, Bank of America Tower 12 Harcourt Road Central, Hong Kong

	GF Securities (Hong Kong) Brokerage Limited 29-30/F, Li Po Chun Chambers 189, Des Voeux Road Central Hong Kong
Joint Lead Managers	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Center 1 Harbor View Street Central Hong Kong
	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
	ABCI Securities Company Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Central Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
	AMTD Asset Management Limited Suite 1308 13/F AIA Central 1 Connaught Road Central Hong Kong
	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central, Hong Kong
	CMB International Capital Limited Units 1803-4, 18/F, Bank of America Tower 12 Harcourt Road Central, Hong Kong

GF Securities (Hong Kong) Brokerage Limited
29-30/F,
Li Po Chun Chambers
189, Des Voeux Road Central
Hong Kong

Legal Advisors to the Bank	*As to Hong Kong and United States law* **King & Wood Mallesons** 13th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Central Hong Kong *As to PRC law* **King & Wood Mallesons** 40th Floor, Office Tower A Beijing Fortune Plaza 7 Dongsanhuan Zhonglu Chaoyang District Beijing PRC
Legal Advisors to the Joint Sponsors, the Hong Kong Underwriters and the International Underwriters	*As to Hong Kong and United States law* **Sidley Austin** 39/F, Two International Finance Centre 8 Finance Street Central Hong Kong *As to PRC law* **JunHe LLP** 20th Floor, China Resources Building 8 Jianguomenbei Avenue Beijing PRC
Reporting Accountants	**Ernst & Young** *Certified Public Accountants* 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong

Compliance Advisor	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered Address and Address of Head Office	No. 1 Huaxia Road Pearl River New Town Tianhe District Guangzhou Guangdong Province PRC
Principal Place of Business in Hong Kong	18F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Website Address	www.grcbank.com *(The contents of the website do not form part of this prospectus)*
Joint Company Secretaries	Ms. Zheng Ying No. 1 Huaxia Road Pearl River New Town Tianhe District Guangzhou Guangdong Province PRC Ms. Li Oi Lai (*ACIS, ACS, FCPA, FAIA*) 18F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. Wang Jikang Room 1101, Building J Central Courtyard Huijingbei Street Favorview Palace Tianhe District Guangzhou Guangdong Province PRC Ms. Li Oi Lai (*ACIS, ACS, FCPA, FAIA*) 18F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

Board Committees	**Strategy and Investment Committee (Sannong Committee)** Mr. Wang Jikang (*Chairman*) Mr. Yi Xuefei Mr. Su Zhigang Mr. Shao Jianming Mr. Zheng Shuping Mr. Zhang Yongming Mr. Song Guanghui Mr. Liu Heng Mr. Liu Shaobo Mr. Zheng Jianbiao Mr. Yung Hin Man Raymond
	Audit Committee Mr. Zheng Jianbiao (*Chairman*) Mr. Li Fangjin Mr. Zhu Kelin Mr. Liu Heng Mr. Yung Hin Man Raymond
	Related Party Transactions and Risk Management Committee Mr. Song Guanghui (*Chairman*) Mr. Wu Huiqiang Mr. Shao Jianming Mr. Li Fangjin Mr. Zhu Kelin Mr. Liu Guojie Mr. Liu Heng
	Nomination and Remuneration Committee Mr. Liu Shaobo (*Chairman*) Mr. Zhang Yongming Mr. Song Guanghui Mr. Zheng Jianbiao Mr. Yung Hin Man Raymond
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

This section contains a number of data and statistics of the industry we operate in. We have excerpted and derived the data and statistics from us which were prepared in accordance with the IFRS and various official and public sources prepared in accordance with Chinese Generally Accepted Accounting Principles or other applicable and generally accepted accounting principles or accounting standards. These standards may differ from the IFRS in some material respects. In addition, various official and public sources of information may not be consistent with those prepared by the third party at home and abroad.

We consider that the data and statistics have appropriate sources, and relevant data and statistics have been excerpted and reprinted with reasonable care. We have no reason to believe that the data and statistics are false or misleading, or contains any false or misleading part due to concealment of any facts. We, Joint Sponsors, Underwriters or any parties involved in the Global Offering neither independently verify the relevant data and statistics, nor make any statement regarding their accuracy. Accordingly, you should not unduly rely upon the data and statistics. As of the Latest Practicable Date, the Directors confirm, after taking reasonable care to verify, that the market information contained in this section has no material adverse changes.

ECONOMIC OVERVIEW OF CHINA

Since the reform and opening-up in 1978, China's economy has experienced a fast growth over the past three decades, and in 2010, China had become the world's second largest economy, second only to the United States. According to NBS, the nominal GDP of China was increased from RMB48.4 trillion in 2011 to RMB74.4 trillion in 2016, representing a CAGR of 9.0%. Meanwhile, attributable to the sustainable growth of the national economy, the disposable income per capita has also increased. The urban household disposable income per capita in China increased from RMB21,810 in 2011 to RMB33,616 in 2016 at a CAGR of 9.0%. The following table shows China's nominal GDP, GDP per capita, urban household disposable income per capita, fixed asset investments as well as total import and export volume of goods for the years indicated.

	For the year ended December 31,						CAGR
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**(2011 to 2016)**
Nominal GDP (in billions of RMB)	48,412	53,412	58,802	63,591	67,671	74,413	9.0%
GDP per capita (in RMB)	35,198	38,459	43,320	46,629	49,351	53,980	8.9%
Urban household disposable income per capita (in RMB)	21,810	24,565	26,467	28,844	31,195	33,616	9.0%
Fixed asset investments (in billions of RMB)	31,149	37,469	44,618	51,202	56,200	60,647	14.3%
Total import and export volume of goods (in billions of USD)	3,642	3,867	4,159	4,302	3,953	3,664(1)	0.1%

Source: NBS

(1) The total import and export volume of goods in 2016 is calculated based on the RMB-denominated total import and export volume of goods of RMB24,338.6 billion and the USD against RMB average exchange rate of 6.6423 in 2016 published by the NBS.

After its rapid growth attributable to reform and opening-up, China's economy has entered into a "new normal" of moderate to high speed growth. With the optimization and upgrading of economic structure, the tertiary industry and consumer demand have become the new driving forces of China's economic growth, transforming China's economy from investment-driven to consumption-driven. The new types of urbanization has also helped to accelerate the transformation of economic development model and enhance domestic demands to boost further growth. According to the *Statistics Bulletins of the People's Republic of China on National Economic and Social Development* (《國民經濟和社會發展統計公報》), the urbanization rate was 54.8%, 56.1% and 57.4% in 2014, 2015, and 2016, respectively, maintaining a relatively fast pace. The banking industry will provide strategic financial support for the development of new types of urbanization, and it will also benefit from the opportunity for business development brought by county and regional economic growth driven by the urbanization.

According to the *13th Five-Year Plan* (《十三五規劃綱要》), China will further expand the coverage of economic reform and strive for organized development so as to promote economic development as well as social development. As a part of China's strategy to further expand its opening-up and to promote its economic growth, the *13th Five-Year Plan* reiterates the "Belt and Road Initiative (一帶一路)" proposed by the Chinese government in 2013. This initiative proposes to build both the "Silk Road Economic Belt" for the purposes of covering Central Asia and West Asia and connecting China to Europe, Southeast Asia, South Asia and the Indian Ocean and the "21st-Century Maritime Silk Road" which extends from Chinese coastal ports to Europe and South Pacific through the South China Sea and the Indian Ocean. Supply-side reform of the financial industry has been proposed under the *13th Five-Year Plan*, including the development of financial technology, green finance, rural inclusive finance and poverty reduction relief finance.

ECONOMY OF GUANGDONG PROVINCE

Guangdong Province is located in the southern part of China and is adjacent to both Hong Kong and Macau Special Administrative Regions. Since the reform and opening-up, Guangdong Province, leveraging the geographical advantage of its proximity to Hong Kong and Macau, took the lead in becoming one of the provinces with the highest marketization level and the most sophisticated market system in China. In 1989, Guangdong Province ranked first in China in terms of GDP and has maintained its top ranking among all provinces and municipalities in China for 28 consecutive years. Furthermore, in terms of infrastructure, income level of urban and rural residents and the urbanization level, Guangdong Province has also ranked top in China. In 2015, Guangdong Province had an urbanization rate of 68.7%, which was 12.6 percentage points higher than the average urbanization rate of China for the same period.

Guangdong Province is traditionally an economically developed province with a well-developed private economy sector. Its private economy sector plays an important role in economic development, with growing impetus for the overall economic development. In 2016, the economic value added contributed by private economy sector of Guangdong Province reached RMB4,257.9 billion, accounting for 53.6% of Guangdong's nominal GDP, and strongly supported Guangdong's economy as well as enhanced the competitiveness of regional economy. According to the All China Federation of Industry and Commerce, 50 enterprises from Guangdong Province were among the *China Top 500 Private Enterprises* of 2016. In June 2016, the People's Government of Guangdong Province published the *Polices and Measures to Promote the Great Development of Private Economy in Guangdong Province (*《廣東省促進民營經濟大發展的若干政策措施》*)*, to strongly encourage, promote and facilitate the development of the private economy.

In 2008, the State Council approved the *Master Plan for Reform and Development of the Pearl River Delta (2008-2020)* (《珠江三角洲地區改革發展規劃綱要(2008-2020)》), that stated the economic development strategy which identified Guangzhou, Shenzhen, Zhuhai, Foshan, Jiangmen, Dongguan, Zhongshan, Huizhou, and Zhaoqing as major cities in Guangdong Province radiant to the Pan-Pearl River Delta Region while cooperating with Hong Kong and Macau. The objective was to develop Guangdong Province into a powerful engine for driving the national economic growth of China.

The "Belt and Road Initiative" will also support the economic development of Guangdong Province as an international trade hub in southern China. In June 2015, Guangdong Province issued the *Action Plan of Guangdong Province under the "Belt and Road Initiative"* (《廣東省參與建設「一帶一路」的實施方案》), which advocated together with Hong Kong, Macau, and surrounding provinces to establish and strengthen partnerships among the countries along the "Belt and Road" in the areas of policy coordination, facilities connectivity, unimpeded trade and financial integration and making Guangdong Province a strategic transportation hub, an economic and trading center and an important engine for the regional economic growth. In 2015, the State Council approved the *Master Plan for China (Guangdong) Pilot Free Trade Zone* (《中國（廣東）自由貿易試驗區總體方案》), making Guangdong Province one of the first four pilot free trade zones in China. In January 2016, Guangdong Province proposed to establish Guangdong Silk Road Fund, which plays an important role in enabling Guangdong Province to facilitate the development of "21st Century Maritime Silk Road" and financing Guangdong Province enterprises to pursue the "Go Global" strategy.

Benefiting from the continuous adjustment of economic structure, Guangdong Province's economy maintained steady development. In 2016, the nominal GDP of Guangdong Province was RMB7,951.2 billion, ranking first among all provinces and municipalities in China. From 2011 to 2016, the nominal GDP of Guangdong Province increased at a CAGR of 8.4%.

The following table sets out the nominal GDP, GDP per capita, urban household disposable income per capita, fixed asset investments as well as total import and export volume of Guangdong Province for the years indicated.

	For the year ended December 31,						CAGR
	2011	2012	2013	2014	2015	2016	(2011 to 2016)
Nominal GDP (in billions of RMB)	5,321	5,707	6,247	6,781	7,281	7,951	8.4%
GDP per capita (in RMB)	50,807	54,095	58,833	63,469	67,503	72,787	7.5%
Urban household disposable income per capita (in RMB)	26,898	30,227	29,537	32,148	34,757	37,684	7.0%
Fixed asset investments (in billions of RMB)	1,707	1,875	2,231	2,629	3,003	3,301	14.1%
Total import and export volume (in billions of USD)	914	984	1,092	1,077	1,023	949(1)	0.8%

Source: NBS, Statistics Bureau of Guangdong Province

(1) The total import and export volume in 2016 is calculated based on the RMB-denominated total import and export volume of RMB6,303.0 billion published by the Statistics Bureau of Guangdong Province and the USD against RMB average exchange rate of 6.6423 in 2016 published by the NBS.

ECONOMY OF GUANGZHOU

Guangzhou is in the southeast part of Guangdong Province, a heartland of the Pearl River Delta, and one of the starting points of the "21st-Century Maritime Silk Road" in the "Belt and Road Initiative". Guangzhou has a total area of 7,434 square kilometers and a permanent population of 13.5 million. Guangzhou is strategically located and has a highly developed land, sea and air transportation system. Guangzhou is one of the "Super Cities (超大城市)" in China. According to the "National Urban System Planning" issued by the State Council in 2010, Guangzhou has been designated as one of the five global functional cities (全球職能城市) and one of the five national central cities (國家中心城市) in China, reflecting its significance in economy, culture, politics and international communications. According to the *Outline of Guangzhou 13th Five-Year Plan for the National Economic and Social Development (2016-2020)* (《廣州市國民經濟和社會發展第十三個五年規劃綱要（2016-2020）》), Guangzhou will continue to promote its role as national central city and strive to become an international center of shipping, logistics, trade and a national center of innovation, as well as to build a modern financial service system. Guangzhou benefits from various favorable policies, including *Decision on Further Expanding Reform and Opening-up in Guangzhou Economic and Technological Development Zone* (《關於廣州市經濟技術開發區進一步擴大改革開放的決定》), *Implementation Plan on Construction of Guangzhou Nansha New Area of China (Guangdong Province) Pilot Free Trade Zone* (《中國(廣東)自由貿易實驗區廣州南沙新區片區建設實施方案》), *Outline of Plan for Reform and Development of the Pearl River Delta (2008-2020)* (《珠江三角洲地區改革發展規劃綱要（2008-2020年）》), *Guidance of the State Council on Deepening the Regional Cooperation in the Pan-Pearl River Delta* (《國務院關於深化泛珠三角區域合作的指導意見》), *Closer Economic Partnership Agreement between Mainland and Hong Kong* (《內地與香港關於建立更密經貿關係的安排》), and other policies and guidelines.

Benefiting from remarkable geographical advantages and a number of favorable policies, Guangzhou has kept its relatively rapid economic growth for many years. In 2016, Guangzhou achieved the nominal GDP of RMB1,961.1 billion. From 2011 to 2016, the nominal GDP of Guangzhou recorded a CAGR of 9.6%, higher than the CAGR of nominal GDP of China over the same period.

The following table shows the nominal GDP, fixed asset investments as well as total import and export volume of Guangzhou for the years indicated.

	For the year ended December 31,						CAGR
	2011	2012	2013	2014	2015	2016	(2011 to 2016)
Nominal GDP (in billions of RMB)	1,242	1,355	1,550	1,671	1,810	1,961	9.6%
Fixed asset investments (in billions of RMB)	341	376	445	489	541	570	10.8%
Total import and export volume (in billions of USD)	116	117	119	131	134	129(1)	2.1%

Source: NBS, Statistics Bureau of Guangzhou

(1) The total import and export volume in 2016 is calculated based on the RMB-denominated total import and export volume of RMB856.7 billion published by the Statistics Bureau of Guangzhou and the USD against RMB average exchange rate of 6.6423 in 2016 published by the NBS.

Over the past few years, the overall economic structure of Guangzhou remained stable while the economic transform and upgrade continued at a faster pace. In 2016, the three major industries contributed 1.2%, 30.2% and 68.6% to Guangzhou's GDP, respectively. The following table sets out the percentage of the contributions of the three major industries to Guangzhou's GDP from 2011 to 2016.

	For the year ended December 31,					
	2011	2012	2013	2014	2015	2016
GDP of Primary Industry(1)	1.7%	1.6%	1.5%	1.3%	1.3%	1.2%
GDP of Secondary Industry(2)	36.8%	34.8%	34.0%	33.5%	31.6%	30.2%
GDP of Tertiary Industry(3)	61.5%	63.6%	64.5%	65.2%	67.1%	68.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Statistics Bureau of Guangzhou

(1) Agriculture, forestry, animal husbandry, and fishery (excluding service sectors for agricultural, forest, animal husbandry and fishery).

(2) Mining (excluding ancillary mining activities), manufacturing (excluding metal products, machinery and equipment maintenance sectors), electric power, heat, gas and water production and supply sectors, as well as construction industry.
(3) Service industry, including industries other than the primary and secondary industries.

OVERVIEW OF CHINA'S BANKING INDUSTRY

Banking Industry of China

In recent years, the banking industry in China has maintained its steady growth, primarily driven by the steady macroeconomic growth of China. From 2011 to 2016, the total RMB-denominated loans and deposits of financial institutions in China grew at a CAGR of 14.2% and 13.2%, respectively. The following table sets out relevant information on RMB- and foreign currency-denominated loans and deposits of financial institutions in China as of the dates indicated.

	As of December 31,						CAGR (2011 to 2016)
	2011	2012	2013	2014	2015	2016	
Total RMB-denominated loans (in billions of RMB)	54,795	62,991	71,896	81,677	93,954	106,604	14.2%
Total RMB-denominated deposits (in billions of RMB)	80,937	91,755	104,385	113,864	135,702	150,586	13.2%
Total foreign currency-denominated loans (in billions of USD)	539	684	777	835	830	786	7.8%
Total foreign currency-denominated deposits (in billions of USD)	275	406	439	573	627	712	21.0%

Source: PBoC

According to the statistics and CBRC Annual Reports, the balance of NPLs of commercial banks in China increased from RMB592.1 billion as of December 31, 2013 to RMB1,512.2 billion as of December 31, 2016. The NPL ratio of commercial banks increased from 1.00% as of December 31, 2013 to 1.74% as of December 31, 2016. As of December 31, 2016, the provision for impairment of loans of commercial banks in China had reached RMB2.7 trillion, representing an allowance coverage ratio of 176.40%. In July 2016, CBRC required the banks to curb the rapid increase in NPLs. Banking financial institutions were encouraged to replenish capital and strengthen the losses absorption and risk management capacity. The NPL ratio of commercial banks in China decreased by 0.02 percentage point to 1.74% at the end of 2016 as compared to the third quarter of 2016, which is the first decrease since the second quarter of 2012.

Competition of China's Banking Industry

China's banking financial institutions can be broadly classified into Large Commercial Banks, Nationwide Joint-stock Commercial Banks, city commercial banks, rural financial institutions, foreign financial institutions and other banking financial institutions. The following table sets out the number of legal entities, total assets, total shareholders' equity and net profit of various types of banking financial institutions in China as of the date and for the year indicated.

	As of and for the year ended December 31, 2015						
	Number of legal entities	Total assets		Total shareholder's equity		Net profit	
		Amount	Market share	Amount	Market share	Amount	Market share
	(in billions of RMB, except number of legal entities and percentage)						
Large Commercial Banks	5	78,163.0	39.2%	6,122.8	40.3%	892.5	45.2%
Nationwide Joint-stock Commercial Banks	12	36,988.0	18.6%	2,321.2	15.3%	337.3	17.1%
City commercial banks	133	22,680.2	11.4%	1,548.1	10.2%	199.4	10.1%
Rural financial institutions(1)	2,303	24,650.8	12.4%	1,783.2	11.7%	223.4	11.3%
Foreign financial institutions(2)	40	2,680.8	1.3%	351.1	2.3%	15.3	0.8%
Other banking financial institutions(3)	1,768	34,182.6	17.1%	3,078.9	20.2%	305.9	15.5%
Total	**4,261**	**199,345.4**	**100.0%**	**15,205.3**	**100.0%**	**1,973.8**	**100.0%**

Source: CBRC

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

(2) Including wholly foreign-owned banks, joint venture banks, and wholly foreign-owned finance companies and their branches and subsidiaries.

(3) Including policy banks (including China Development Bank, The Export-Import Bank of China and Agricultural Development Bank of China), Postal Savings Bank of China, emerging rural financial institutions (including county banks, loan companies and rural mutual cooperatives), privately owned banks, financial asset management companies, finance companies of enterprise groups, consumer finance companies, trust companies, financial leasing companies, money brokerage companies, auto financing companies and Sino-German Bausparkasse.

Large Commercial Banks, including Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Bank of China and Bank of Communications, still have obvious advantages among the banking financial institutions in China in respect of market share and number of outlets. As of December 31, 2015, there were 12 Nationwide Joint-stock Commercial Banks licensed to engage in commercial banking business across China, namely, China Merchants Bank, China CITIC Bank, Huaxia Bank, China Everbright Bank, Shanghai Pudong Development Bank, China Minsheng Bank, Industrial Bank, China Guangfa Bank, Ping An Bank, China Zheshang Bank, China Bohai Bank and Evergrowing Bank, and their market shares as a whole have been continuously increasing, playing an important role in the banking industry of China. In addition, city commercial banks and rural financial institutions also show advantages in their respective designated geographic areas.

China's Rural Financial Institutions

China's rural financial institutions mainly include rural commercial banks, rural credit cooperatives and rural cooperative banks. Since the four major state-owned banks of China exited from the county area economy in the late 1990s, CBRC has adopted specified policies and measures to support the Sannong (三農) (including agriculture, rural areas and farmers) and to promote the establishment and development of new types of rural financial institutions in China. As of December 31, 2015, there were 2,303 rural financial institutions in China, including 859 rural commercial banks, 1,373 rural credit cooperatives, and 71 rural cooperative banks. As of December 31, 2015, the total assets and total shareholders' equity of rural financial institutions in China amounted to

RMB24,650.8 billion and RMB1,783.1 billion, respectively, representing 12.4% and 11.7% of the total assets and shareholder's equity of banking financial institutions in China, respectively. The following table sets out certain information about the total assets, total liabilities, total shareholder's equity and after-tax profit of China's rural financial institutions as of the dates and for the years indicated.

	As of and for the year ended December 31,						CAGR
	2010	2011	2012	2013	2014	2015	(2010 to 2015)
	(in billions of RMB)						
Total assets	10,658.3	12,859.9	15,512.1	18,349.1	21,315.5	24,650.8	18.3%
Total liabilities	10,064.8	12,074.2	14,515.8	17,115.8	19,795.6	22,867.7	17.8%
Total shareholder's equity	593.5	785.7	996.3	1,233.3	1,519.9	1,783.1	24.6%
After-tax profit	69.2	122.5	160.9	196.1	233.8	223.4	26.4%

Source: CBRC

The following table sets out the ranking of China's top 10 rural commercial banks by net core tier-one capital, according to *China's Top 100 Banks* (《中國前100家銀行排名榜單》) ranked by the China Banking Association in 2016 and other data, as of the date and for the year indicated. As of December 31, 2015, we ranked fifth and first among the rural commercial banks in China and Guangdong Province in terms of total assets, with a market share of 2.4% among all rural financial institutions nationwide and 22.9% among rural financial institutions in Guangdong Province, respectively.

	As of and for the year ended December 31, 2015								
	Net core tier-one capital	Total assets	Net profit	Total loans	Total deposits	NPL ratio(4)	Allowance coverage ratio(5)	Return on average total assets	Return on average net assets
	(in billions of RMB, except percentage)								
Chongqing Rural Commercial Bank(1)	47.1	716.8	7.2	268.6	470.2	0.98%	420.03%	1.08%	15.80%
Shanghai Rural Commercial Bank(2)	39.8	587.0	5.8	297.3	450.4	1.38%	202.42%	1.08%	14.30%
Beijing Rural Commercial Bank(2)	35.8	628.3	5.2	267.8	463.4	1.00%	372.14%	0.90%	15.38%
Guangzhou Rural Commercial Bank(3)	35.0	582.8	5.0	223.7	391.1	1.80%	170.79%	0.95%	14.65%
Chengdu Rural Commercial Bank(2)	30.9	644.6	4.3	177.1	409.3	1.00%	423.27%	0.67%	14.32%
Shunde Rural Commercial Bank(2)	22.6	226.0	3.0	112.2	153.3	1.79%	161.14%	1.36%	13.66%
Dongguan Rural Commercial Bank(2)	20.8	299.6	3.8	122.1	181.7	1.30%	254.04%	1.37%	18.98%
Tianjin Rural Commercial Bank(2)	20.1	256.0	2.6	124.8	179.6	2.47%	164.53%	1.09%	14.08%
Shenzhen Rural Commercial Bank(2)	15.2	184.3	2.8	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed
Wuhan Rural Commercial Bank(2)	15.0	170.5	2.3	95.5	138.9	1.74%	291.39%	1.43%	15.47%

Source: annual reports of banks, China Banking Association

(1) Financial statements of Chongqing Rural Commercial Bank are prepared in accordance with IFRS.

(2) Financial statements of these companies are prepared in accordance with PRC GAAP.

(3) The financial data of our Bank is prepared in accordance with PRC GAAP, which may differ from the financial data of our bank contained in other sections of this prospectus prepared in accordance with the IFRS.

(4) Calculated by dividing total non-performing loans by gross loans to customers.

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

Banking Industry in Guangdong Province

The financial institutions in Guangdong Province developed steadily in line with the local economic growth. As of December 31, 2016, the total RMB-denominated loans and deposits of financial institutions in Guangdong Province amounted to RMB10,365.0 billion and RMB17,102.4 billion, respectively, representing a CAGR of 14.2% and 13.9%, respectively, from 2011 to 2016. The following table sets out relevant information on RMB- and foreign currency-denominated loans and deposits of financial institutions in Guangdong Province as of the dates indicated.

	As of December 31,						CAGR
	2011	2012	2013	2014	2015	2016	(2011 to 2016)
Total RMB-denominated loans (in billions of RMB)	5,341	5,997	6,849	7,789	8,929	10,365	14.2%
Total RMB-denominated deposits (in billions of RMB)	8,917	9,993	11,486	12,196	15,355	17,102	13.9%
Total foreign currency-denominated loans (in billions of USD)	83	113	118	115	98	105	4.9%
Total foreign currency-denominated deposits (in billions of USD)	38	82	79	97	105	127	27.3%

Source: PBoC Guangzhou Branch

Competition of the Banking Industry in Guangdong Province

The following table sets out the total assets of various types of banking financial institutions in Guangdong Province as of December 31, 2015.

	Total assets		
	Amount	Market share(%)	CAGR (2010 to 2015)
	(in billions of RMB)		
Large Commercial Banks	7,604.9	38.9%	7.3%
Nationwide Joint-stock Commercial Banks	5,579.7	28.5%	19.1%
City commercial banks	1,459.3	7.5%	16.5%
Rural financial institutions(1)	2,542.1	13.0%	17.9%
Foreign financial institutions	529.0	2.7%	8.9%
Other banking financial institutions(2)	1,849.0	9.5%	20.9%
Total	**19,564.0**	**100.0%**	**13.2%**

Source: Guangdong Province Financial Performance Report (《廣東省金融運行報告》) prepared by PBoC Guangzhou Branch.

(1) Including rural commercial banks and rural credit cooperatives.

(2) Including policy banks, Postal Savings Bank of China, county banks, finance companies, consumer finance companies, trust companies, financial leasing companies, money brokerage companies and auto financing companies.

Banking Industry in Guangzhou

The banking industry in Guangzhou also grows continuously in line with the prolonged rapid economic growth of Guangzhou. According to the Statistics Bureau of Guangzhou, as of December 31, 2016, the total amounts of RMB- and foreign currency-denominated loans and deposits of financial institutions in Guangzhou amounted to RMB2,967.0 billion and RMB4,753.0 billion, representing a CAGR of 10.8% and 12.4%, respectively, from 2011 to 2016. The following table sets out the total amounts of RMB- and foreign currency-denominated loans and deposits of financial institutions in Guangzhou as of the dates indicated.

	As of December 31,						CAGR
	2011	2012	2013	2014	2015	2016	(2011 to 2016)
Total RMB- and foreign currency-denominated loans (in billions of RMB)	1,773	1,994	2,202	2,423	2,730	2,967	10.8%
Total RMB- and foreign currency-denominated deposits (in billions of RMB)	2,646	3,019	3,384	3,547	4,284	4,753	12.4%

Source: Statistics Bureau of Guangzhou

Competition of the Banking Industry in Guangzhou

The following table sets out the total assets, total liabilities and net profit of various types of banking financial institutions in Guangzhou as of the date and for the year indicated.

	As of and for the year ended December 31, 2015					
	Total assets[(3)]		Total Liabilities[(3)]		Net profit[(3)]	
	Amount	Market share	Amount	Market share	Amount	Market share
	(in billions of RMB, except percentage)					
Large Commercial Banks	2,124.0	34.0%	2,106.7	35.0%	20.8	39.7%
Nationwide Joint-stock Commercial Banks	2,279.3	36.5%	2,169.9	36.0%	16.6	31.5%
City commercial banks	498.3	8.0%	476.6	7.9%	2.8	5.3%
Rural financial institutions[(1)]	672.9	10.8%	629.6	10.5%	5.2	9.9%
Foreign financial institutions	134.2	2.1%	117.2	1.9%	0.7	1.4%
Other banking financial institutions[(2)]	536.9	8.6%	523.5	8.7%	6.5	12.3%
Total	6,245.6	100.0%	6,023.5	100.0%	52.5	100.0%

Source: Financial Development Situation and Prospect of Guangzhou in 2016 (《2016廣州金融發展形勢與展望》), published by Guangzhou Financial Bureau

(1) Including a rural commercial bank and rural credit cooperatives, among which, the rural commercial bank is our bank.

(2) Including policy banks, Postal Savings Bank of China, county banks, finance companies, consumer finance companies, trust companies, financial leasing companies and auto financing companies.

(3) Including data only for relevant institutions based in Guangzhou.

DEVELOPMENT OF CHINA'S BANKING INDUSTRY

Enhanced Industry Fundamentals with Improved Overall Strength

Since the shareholding reform of state-owned commercial banks in 2003, the reform and development of China's banking industry have made breakthroughs in the past decade, represented by an expanding business scale and remarkable achievements in corporate governance, risk management, capital strength, profitability and brand influence. According to the CBRC 2015 Annual Report, the total assets and shareholders' equity of banking financial institutions in China grew by RMB104.0 trillion and RMB9.4 trillion, representing a CAGR of 15.9% and 21.1%, respectively, from 2010 to 2015. The following table sets out the total assets, total shareholders' equity, total loans, total deposits and net profit of banking financial institutions in China as of the dates and for the years indicated.

	As of and for the year ended December 31,						CAGR
	2010	2011	2012	2013	2014	2015	(2010 to 2015)
	(in billions of RMB, except percentage)						
Total assets	95,305.3	113,287.3	133,622.4	151,354.7	172,335.5	199,345.4	15.9%
Total shareholders' equity	5,832.2	7,209.4	8,670.8	10,171.6	12,313.2	15,205.3	21.1%
Total loans	50,922.6	58,189.3	67,287.5	76,632.7	86,786.8	99,346.0	14.3%
Total deposits	73,338.2	82,670.1	94,310.2	107,058.8	117,373.5	139,775.2	13.8%
Net profit	899.1	1,251.9	1,511.6	1,744.5	1,927.7	1,973.8	17.0%

Source: CBRC

Increasingly Improved and Enhanced Regulatory System

China's banking regulatory authorities are establishing a prudent regulatory framework, and have continuously introduced regulatory measures to further tighten regulation and supervision on the banking industry, which mainly include:

Reinforcing the supervision on capital adequacy level. Based on Basel III, CBRC formed a new capital adequacy regulatory regime in June 2012 to replace the previous one. Commercial banks are required to satisfy the capital adequacy ratio specified in the regulatory requirements by the end of 2018, subject to certain particular requirements during the transitional period for meeting such target.

Intensifying prudent supervision and regulation. Since the international financial crisis in 2008, CBRC has issued a series of risk management guidances, requiring commercial banks to further improve their loan classification, risk rating and credit review and approval systems, as well as to strengthen their management of credit risks, market risks, liquidity risks and operational risks. While keeping risks under control, the Chinese government also carried out reforms on the risk management system of commercial banks, such as the lifting of the requirement of loan-to-deposit cap of 75% set out in the PRC Commercial Banking Law. A series of guidelines have also been issued by CBRC to encourage commercial banks to increase credit support for the real economy and to encourage lending to small enterprises, merger and acquisition loans and project loans. In March and April 2017, CBRC issued a series of circulars and guidelines, such as the *Circular on the Implementation of Specialized Governance on "Regulatory Arbitrage, Idle Arbitrage and Related-party Arbitrage" of the Banking Industry* (《開展銀行業「監管套利、空轉套利、關聯套利」專項治理工作的通知》), the *Guidance on Risk Management of the Banking Industry* (《關於銀行業風險防控工作的指導意見》) and the *Circular on the Implementation of Specialized Governance on "Inappropriate Innovations, Transactions, Incentives and Charges" of the Banking Industry* (《關於開展銀行業「不當創新、不當交易、不當激勵、不當收費」專項治理工作的通知》) to further tighten the regulatory requirements on, among others, inappropriate transactions, high leverage ratio and arbitrage activities of interbank business and wealth management business and proposed specific requirements of risk management in respect of traditional risks such as credit risks, liquidity risks, risks related to real estate and local debt default risks, and non-traditional risks such as fluctuation of bond markets, Internet finance business and external impacts as well as material and mass incidents.

Strengthening supervision and regulation on certain industries and customers. CBRC promulgated a series of regulations for the real estate industry, industries with excess production capacity and local government financing vehicles. CBRC also required commercial banks in China to enhance risk control in these areas.

Improving corporate governance. CBRC demanded banks to establish a comprehensive corporate governance structure with a board of directors consisting of independent directors, an audit committee, a remuneration committee, a nomination committee and other committees as well as an external supervisory committee. In addition, CBRC also required China's banking financial institutions to set up independent internal audit departments with definite policies and procedures.

Enhancing supervision and regulation on Internet finance. In March 2014, PBoC suspended the payment by two-dimensional code and virtual credit card via third-party online payment platforms. According to the *Guidance on Promoting the Healthy Development of Internet Finance* (《關於促進互聯網金融健康發展的指導意見》), issued by ten ministries under the State Council in July 2015 and *China Financial Stability Report* (2016) (《中國金融穩定報告 (2016)》) issued by PBoC in June 2016, regulators will further improve the supervision on Internet finance to promote the healthy and stable development of the financial industry. In April 2016, the General Office of the State Council issued the *Plan for Special Regulation of Internet Financial Risk* (《互聯網金融風險專項整治工作實施方案》) to conduct a special regulation of Internet financial risk. In February 2017, in order to regulate the sound development of the internet lending industry, the CBRC issued the "*Guidelines on Internet Lending Fund Custody Business*" (《網絡借貸資金存管業務指引》) to define the basic rules and implementation standards of internet lending fund custody business, and encourage internet lending institutions and commercial banks to cooperate in business.

Strengthening supervision and regulation on interbank business. In April 2014, PBoC, CBRC, CSRC, CIRC, and SAFE jointly issued the *Circular on Regulating the Interbank Business of Financial Institutions* (《關於規範金融機構同業業務的通知》) to define the types of interbank business and set out the requirement on financial accounting and capital measurement. In May 2014, CBRC issued the *Notice of CBRC Office on Regulating Interbank Business Governance of Commercial Banks* (《中國銀監會辦公廳關於規範商業銀行同業業務治理的通知》) to regulate the interbank business development and build a preliminary regulatory framework for interbank business.

Strengthening supervision and regulation on wealth management business. Since 2005, CBRC issued the *Interim Measures on Management of Personal Financial Services for Commercial Banks* (《商業銀行個人理財業務管理暫行辦法》) and *Guidelines on Risk Management of Personal Financial Services for Commercial Banks* (《商業銀行個人理財業務風險管理指引》), which are designated to regulate and facilitate the wealth management business and safeguard the legitimate rights and interests of customers. In December 2014, CBRC issued the *Regulatory Measures for Wealth Management Business of Commercial Banks (draft for comments) (*《商業銀行理財業務監督管理辦法(徵求意見稿)》) to make more comprehensive and detailed provisions on the wealth management business of banks.

For additional information, see "Supervision and Regulation—Regulations on Principal Activities of Commercial Banks."

Rural Commercial Banks are Increasingly Significant in China's Banking Industry

Different from Large Commercial Banks, Nationwide Joint-stock Commercial Banks and city commercial banks, rural commercial banks mainly offer commercial banking services to businesses and individuals in county areas. In accordance with the guidance of regulatory institutions, rural commercial banks stick to differentiated and specialized development strategies, strive for better financial services to small and micro enterprises as well as urban and rural residents, and promote the development of county areas and regional economy. In particular, in terms of satisfying the funding demands of medium, small and micro enterprises and the overall development of rural areas, rural commercial banks are in a better position to process non-standardized information of SMEs using their geographic advantages, extensive local networks, and close relationships with local government and community.

In recent years, the developing economy of China and favorable government policies continuously introduced in China have provided county areas with major opportunities for economic development, and continuously helped rural commercial banks in China to achieve rapid growth. The *Opinions on Intensifying Reform and Innovation to Accelerate the Modernization of Agriculture* (《關於加大改革創新力度加快農業現代化建設的若干意見》) issued by the State Council in February 2015 clearly specify the requirements on promoting the reform of rural financial systems and driving the financial sources to further lean towards Sannong issues. The Opinions require commercial banks ensure the continuous increase in total amount of agriculture-related loans and also no decline in the proportion of agriculture-related loans to total loans, optimize the structure of agriculture-related loans and encourage various commercial banks to introduce financial services for Sannong. The *Opinions on Implementation of New Development Philosophy and Accelerating Modernization of Agriculture to Build a Well-off Society (《關於落實發展新理念加快農業現代化實現全面小康目標的若干意見》)* encourages financial institutions focusing directly on the issue of providing financial services to county areas and transferring financial resources in favor of county area economic growth in order to build up a multi-level, wide-coverage and sustainable rural financial service systems, develop rural inclusive finance, lower financing costs and fully activate the rural financial service system. The *Guidance on the Reform of the Investment and Financing Mechanism for Rural Infrastructure* (《關於創新農村基礎設施投融資體制機制的指導意見》) issued by the Stated Council in February 2017 puts emphasis on the support for the construction of rural infrastructure and encourages commercial banks to increase the credit facilities for rural infrastructure so as to improve rural financial services.

According to the CBRC 2015 Annual Report, there was a total of 859 rural commercial banks in China as of December 31, 2015. As of and for the year ended December 31, 2015, the total assets, total shareholders' equity and net profit of rural commercial banks accounted for 7.6%, 7.9% and 7.5% of those of banking financial institutions in China, respectively. From 2010 to 2015, the CAGRs of the total assets, total shareholders' equity, and net profit of rural commercial banks were 40.7%, 42.7% and 39.6%, respectively, all of which were higher than the CAGR of 15.9%, 21.1% and 17.0% of the whole banking financial institutions in China for the same period. The following table sets out relevant information of rural commercial banks of China as of the dates and for the years indicated.

	As of and for the year ended December 31,						CAGR
	2010	2011	2012	2013	2014	2015	(2010 to 2015)
	(in billions of RMB, except for percentage)						
Total assets	2,767.0	4,252.7	6,275.1	8,521.8	11,527.3	15,234.2	40.7%
Total shareholders' equity	202.6	332.0	491.0	672.6	931.8	1,200.0	42.7%
Net profit	28.0	51.2	78.3	107.0	138.3	148.7	39.6%
NPL ratio	1.95%	1.6%	1.76%	1.67%	1.87%	2.48%	N/A

Source: CBRC

Strengthening the Provision of Banking Services to Small and Micro Enterprises

During China's economic restructuring, the strategic position of small and micro enterprises is accordingly on the rise and the banking services for small and micro enterprises is increasingly important. According to the SAIC, the total number of enterprises was 15.28 million as of December 31, 2013, including 11.70 million registered small and micro enterprises, accounting for 76.6% of the total number of enterprises. However, according to PBoC, the total RMB-denominated loan balance of small and micro enterprises in China amounted to RMB17.4 trillion as of December 31, 2015, accounting for only 18.5%, of that of the banking financial institutions in China, showing the financing needs of small and micro enterprises have not been fully addressed.

In recent years, to align with and promote the economic restructuring, the State Council, PBoC and CBRC have launched a series of policies and measures to promote the reform and upgrade of the financial services to small and micro enterprises, including:

- In May and October 2011, CBRC issued the *Notice on Supporting Commercial Banks to Further Improve the Financial Services to Small Businesses* (《關於支持商業銀行進一步改進小企業金融服務的通知》), and the *Supplementary Notice on*

Supporting Commercial Banks to Further Improve the Financial Services to Small and Micro Enterprises (《關於支持商業銀行進一步改進小型微型企業金融服務的補充通知》) to encourage and support commercial banks to further expand the coverage of financial service outlets for small and micro enterprises, and extend the specialized financial service center for small businesses to the general public in local communities, county areas and major towns. Commercial banks are also encouraged to accelerate the establishment of specialized financial service center for small businesses in regions where they already have been in operation;

- In March 2013, CBRC issued the *Opinions on Deepening the Financial Services to Small and Micro Enterprises* (《關於深化小微企業金融服務的意見》), which further encouraged the commercial banks to improve the banking services' quality, financial products, financing channels and network coverage for small and micro enterprises. The opinion also stressed that for commercial banks meeting certain credit requirement to small and micro enterprises, restrictions on their establishment of outlets in the same city would be relaxed;

- In August 2013, the State Council and CBRC issued the *Implementation Opinions on Financial Support for Development of Small and Micro Enterprises* (《關於金融支持小微企業發展的實施意見》) and *Guidance on Further Completing the Financial Services to Small and Micro Enterprises* (《關於進一步做好小微企業金融服務工作的指導意見》) to provide guidance on service innovation, credit enhancement and information services, direct financing channels, fiscal and tax support and other supporting policies and measures. It is also required that, in addition to an acceleration in the growth of overall loan portfolio, banking financial institutions should ensure that (i) the growth rate of loans to small and micro enterprises shall not be lower than its average loan growth rate; (ii) the growth rate of total loans to small and micro enterprises shall not be lower than that of the same period of last year; and (iii) the loan approval rate of small and micro enterprises shall not be lower than that of last year;

- In June 2014, PBoC announced that the RMB statutory deposit reserve requirement ratio for commercial banks in compliance with the prudential and operational requirements, and with certain percentage of loans to small and micro enterprises as well as Sannong would be lowered by 0.5 percentage point since June 16, 2014;

- In July 2014, CBRC issued the *Notice on Improving and Innovating Loan Services to Small and Micro Enterprises, and Enhancing the Financial Services for Small and Micro Enterprises* (《關於完善和創新小微企業貸款服務提高小微企業金融服務水平的通知》), which encouraged banking financial institutions to set a reasonable loan maturities to small and micro enterprises, expand and improve the working capital financing products to small and micro enterprises, and explore the innovative models on working capital loans to small and micro enterprises;

- In February 2015, PBoC further reduced the RMB statutory deposit reserve requirement ratio for commercial banks in compliance with the prudential and operational requirements and with certain percentage of loans to small and micro enterprises as well as Sannong by 0.5 percentage point;

- In December 2015, the State Council issued the *Plan for Promoting the Development of Inclusive Finance (2016-2020)* (《推進普惠金融發展規劃(2016-2020年)》), stating that small and micro enterprises are the key target of the inclusive financial services and that future targets should focus on reducing the financial costs of small and micro enterprises, encouraging large commercial banks to accelerate the establishment of designated business services center and diversify the financing services to small and micro enterprises.

In addition, due to gradual relaxation of interest rate control and more financing options, the bargaining power of large-scale enterprises borrowers continues to enhance. China's commercial banks increasingly attach more importance in providing banking services to small and micro enterprises. As of December 31, 2015, the total balance of loans to China's small and micro enterprises increased by 13.9% as compared to that as of the same date of 2014, which were 2.7 percentage points and 5.3 percentage points higher than the growth rate of the loans to large and medium enterprises over the same period, respectively.

Increasing Demand for Personal Financial Products and Services

With the continued development of the domestic economy, the household disposable income of China has been rising. According to NBS, the Engel coefficient of China's urban residents decreased from 36.7% in 2005 to 30.1% in 2016, indicating the rising level of household consumption. Meanwhile, there are increasing demands for diversified banking products and services. The personal credit, personal payment and other financial service demands from the banking sector are growing rapidly. In addition, the strong development of various means of payment, such as online banking, third-party payment, and mobile payment also promote the rapid development of personal financial businesses.

The following table sets out the urban household disposable income per capita, total amount of RMB-denominated deposits of urban and rural residents, total amount of domestic personal RMB-denominated loans and its percentage in the total domestic loans in China as of the dates and for the years indicated.

	As of and for the year ended December 31,						CAGR
	2011	2012	2013	2014	2015	2016	(2011 to 2016)
Urban household disposable income per capita (in RMB)	21,810	24,565	26,467	28,844	31,195	33,616	9.0%
Total amount of RMB-denominated deposits of urban and rural residents (in billions of RMB)	34,364	39,955	44,760	48,526	54,607	59,775	11.7%
Total amount of domestic personal RMB-denominated loans (in billions of RMB)	13,601	16,130	19,850	23,141	27,021	33,361	19.7%
Total amount of domestic personal RMB-denominated loans							
—Percentage in total domestic loans	24.9%	25.7%	27.7%	28.4%	28.8%	31.4%	N/A

Source: NBS; PBoC

China's private wealth management market has continued to steadily develop over recent years, which has created a strong demand for financial services and has considerable market potential. According to *2017 China Wealth Report: Changes and Prospects in Ten Years* (《中國私人銀行2017:十年蝶變十年展望》) jointly issued by Industrial Bank and The Boston Consulting Group, the investible financial assets increased from approximately RMB77 trillion in 2013 to about RMB126 trillion in

2016 at a CAGR of 17.8%. In response to the rapid increase in household disposable income in China and increasing amount of high net worth individuals, China's commercial banks have started offering medium and high-end clients tailor-made financial services such as asset management, wealth management and private banking services, which are expected to have considerable growth potentials.

In addition, consumer finance has seen vigorous development under the call of the national policies. With the advancement of a new type of urbanization, urban population has continued to increase. With the growth of the young consumer class and the evolution of the traditional consumption concept, moderate advance consumption through consumer finance is increasingly acceptable. Moreover, the development of Internet finance and the improvement of credit systems also significantly increase the efficiency of consumer finance business. By the end of the third quarter of 2016, there were 15 consumer finance companies approved by the CBRC, with total assets of RMB107.733 billion and balance of loans of RMB97.029 billion. To promote the development of consumer finance business and standardize the operation of consumer finance companies, CBRC promulgated renewed *Pilot Measures for the Administration of Consumer Finance Companies* (《消費金融公司試點管理辦法》) in November 2013. PBoC and CBRC jointly promulgated *Guidance on Intensifying Financial Support in the New Consumption Areas* (《關於加大對新消費領域金融支持的指導意見》) in March 2016 to further stress the objectives of developing consumer finance. The consumer loan balances of financial institutions amounted to RMB13.0 trillion, RMB15.4 trillion and RMB19.0 trillion as of December 31, 2013, 2014 and 2015, respectively, representing a CAGR of 20.9%.

Interest Rate Marketization and Financial Disintermediation

Market-oriented interest rate reform is a crucial step of financial reform. In the past, the deposit and lending rates have been set by PBoC, and commercial banks shall abide by the restrictions required by PBoC. In recent years, as part of the overall reform of the banking system, PBoC has implemented a series of reforms designed to gradually achieve the interest rate marketization and promote a more market-oriented interest rate system.

Since June 2012, after the gradual deregulation of PBoC, the current ceiling of floating range of RMB deposit interest rates applied to financial institutions has been adjusted to 1.1 times the benchmark interest rates of PBoC. In July 2013, PBoC abolished the RMB lending floating interest rates (excluding the mortgage rate), and allowed financial institutions to set the lending rates based on commercial considerations. In November 2014, March and May 2015, PBoC permitted financial institutions to set the RMB deposit rates no higher than 120%, 130% and 150% of the benchmark interest rates of PBoC. In August 2015, PBoC further relaxed the floating ceiling of RMB deposit rates applicable to deposit with maturity of over one year of China's commercial banks. Since October 2015, PBoC no longer set the floating ceiling of RMB deposit rates to commercial banks and rural cooperative financial institutions, indicating the further relaxation of China's interest rate control.

In recent years, PBoC has reduced the benchmark RMB deposit and lending rates and RMB statutory deposit reserve requirement ratio for several times based on the consideration of lowering the social financing costs and increasing financial support to the real economy. Since 2014, the benchmark deposit and lending rates underwent six cuts on November 22, 2014, March 1, 2015, May 11, 2015, June 28, 2015, August 26, 2015 and October 24, 2015, respectively. The one-year benchmark lending rate of financial institutions was reduced from 5.60% as of November 22, 2014 to 4.35% as of October 24, 2015 (remaining the same as of the Latest Practicable Date), and the six-month to one-year deposit rate was reduced from 2.75% as of November 22, 2014 to 1.50% as of October 24, 2015 (remaining the same as of the Latest Practicable Date). The benchmark interest rates of other types of loans and deposits, interest rates of loans from the PBoC to financial institutions and interest rates of personal housing provident fund loans were also reduced in varying degrees. In addition, PBoC reduced the RMB statutory deposit reserve requirement ratio of financial institutions five times on February 5, 2015, April 20, 2015, September 6, 2015, October 24, 2015 and March 1, 2016, respectively. To enhance the support for Sannong and the fields of small and micro enterprises, PBoC had repeatedly announced the implementation of the "targeted reserve requirement ratio cuts" on qualified financial institutions, including further reducing the RMB statutory deposit reserve requirement ratio to 14% to commercial banks with certain percentage of loans to Sannong or small and micro enterprises on October 24, 2015.

The *Deposit Insurance Regulation* (《存款保險條例》) came into effect in May 2015. Under the *Regulation*, the same depositor can be compensated up to a maximum of RMB500,000 in the event of a bank's liquidation. The RMB- and foreign currency-denominated principal and interest receivable of depositor within such limit shall be fully protected. The implementation of this *Regulation* constitutes an effective supplement to interest rate marketization.

The interest marketization allows banks to flexibly set the deposit and lending rates, but it is likely to intensify competition in China's banking industry and lead to uncertain impacts on the net interest spread, net interest margin and operating performance. Furthermore, due to the decreasing attractiveness of the deposit rates, the development of PRC capital markets, as well as the increasingly diversified, comprehensive and individualized customer demands, the trend of financial disintermediation has already emerged in recent years and the depositors have been transferring their funds from banks and other financial institutions to direct investments or other products with higher return than commercial bank deposits. Financial disintermediation will affect the financial intermediary functions of commercial banks. However, commercial banks can respond to the impacts through the change in commercial management concept, business model and customer structure. On the other hand, the development of the PRC capital markets will also create opportunities for China's commercial banks to provide diversified financial products and services.

Business Integration

The interest rate marketization and financial disintermediation has promoted the restructuring of China's banking industry, which was mainly reflected in increased efforts of financial innovation, relaxed market entrance barrier, diversified financial products offering, and higher percentage of income for investment banking, wealth management, alternative investment services and other fee- and commission-based business. According to CBRC, the percentage of net fee and commission income to operating income of China's banking financial institutions increased from 12.0% in 2010 to 15.8% in 2015. China's banking industry has been committed to expanding the variety of fee- and commission-based business and to satisfying the increasingly diversified demands of enterprises and individuals for financial services. The fee- and commission-based businesses of China's commercial banks are expected to have remarkable development potentials.

China's commercial banks are now allowed to apply for licenses to operate in the fields of trusts, funds, insurance, financial leasing and consumer finance. Due to involvement of amendment of various laws, regulations and regulatory systems, the integration of commercial banks' business will be a gradual process. If the mentioned amendment had been fulfilled, commercial banks would further expand their market share in the capital market and provide a wide range of diversified and integrated services and products based on their existing advantages in market share, capital resources and customer bases. Thus, the business integration will further improve China's financial environment and bring a new profit growth point for China's commercial banks.

Opportunities and Challenges Brought by Internet Finance

With the development and popularity of Internet technology and information systems of financial institutions in China, various Internet financial products were introduced in recent years, including online and mobile wealth management products, online investment and financing products as well as online and mobile third-party payment. Moreover, online payment has become one of the major means of payment in China. According to the statistics of iResearch, China's Internet third-party payment transactions amounted to RMB19.2 trillion in 2016, which increased more than four times compared with RMB3.7 trillion in 2012. The development of Internet finance offers more product choices to the public and reduces the costs of certain financial services. Internet finance brings challenges as well as opportunities to the traditional commercial banking business.

Through the application of Internet and mobile phone technology, commercial banks in China integrate electronic banking platforms with physical outlets and provide customers with more convenient banking services, further improved customer experiences and more sophisticated and innovative financial products. They also expanded their business channels and business coverage. Meanwhile, some commercial banks seek to expand their customer base, improve risk control and operational efficiency, introduce personalized and specialized products by utilizing big data technology. Cooperation between commercial banks and Internet finance companies in various areas, including Internet payment, is also one of the important trends of China's banking industry. For details, see "Supervision and Regulation—Pricing of Products and Services".

OVERVIEW

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

History and Development of Regulatory Framework

Initially established on December 1, 1948, PBoC was the major regulatory body of the financial industry of China. In January 1986, PBoC was, for the first time, officially designated as the central bank and the regulatory authority of the financial sector of China pursuant to the *Trial Regulations of Banking Industry of the People's Republic of China* (《中華人民共和國銀行管理暫行條例》) promulgated by the State Council.

In 1995, the current regulatory framework of the banking industry of China was established after the adoption of the PRC PBoC Law and the PRC Commercial Bank Law. The PRC PBoC Law adopted in March 1995 determined the responsibilities and establishment of PBoC and has authorized PBoC to manage the currency (Renminbi), to implement monetary policies and to regulate the financial industry of China. The major operation rules of the commercial banks in China was determined by the PRC Commercial Bank Law promulgated in May 1995.

Since then, the regulatory framework of the banking industry in China has evolved significantly. In April 2003, CBRC was established to take over most of the regulatory functions of PBoC and was authorized to reform the banking industry of China with a view of reducing the overall risks of the industry and promoting the stable development and competitiveness of the industry in the international market. In December 2003, the PRC PBoC Law and the PRC Commercial Bank Law were amended. On February 1, 2004, the PRC Banking Supervision and Regulatory Law was adopted to determine the regulatory responsibilities of CBRC.

On August 29, 2015, the Standing Committee of the People's Congress of China published its decision to amend the PRC Commercial Bank Law. The revised PRC Commercial Bank Law became effective on October 1, 2015.

PRINCIPAL REGULATORS

CBRC

CBRC is the principal regulatory authority in the PRC responsible for the supervision and regulation of banking financial institutions operating in the PRC, including commercial banks, urban credit cooperatives, rural credit cooperatives, other deposit-taking financial institutions and policy banks, as well as certain non-bank financial institutions. CBRC is also responsible for the supervision and regulation of the entities established by domestic financial institutions outside the PRC and the overseas operations of the above-mentioned financial institutions. According to the PRC Banking Supervision and Regulatory Law amended on October 31, 2006 and relevant regulations, CBRC's primary regulatory responsibilities include:

- formulating and issuing regulations and rules governing banking financial institutions and their activities;

- reviewing and approving the establishment, change and termination of banking financial institutions and their scope of business, as well as granting banking licenses to commercial banks and their branches;
- regulating the business activities of banking financial institutions, including their products and services;
- approving and supervising qualification requirements for directors and senior management of banking financial institutions;
- setting prudential operation rules for risk management, internal control, capital adequacy, asset quality, allowance for impairment losses, risk concentration, related party transactions and asset liquidity requirements for banking financial institutions;
- conducting on-site examinations and off-site surveillance of the business activities and risk levels of banking financial institutions;
- establishing emergency system with relevant authorities and formulating emergency plans;
- imposing corrective and punitive measures for violations of applicable banking regulations;
- preparing and publishing statistics and financial statements of the banking financial institutions; and
- taking over or procuring the restructuring of a banking financial institution which may materially impact the rights and interests of depositors and other customers when there is, or is likely to be a credit crisis.

CBRC, through its headquarters in Beijing and its offices throughout the PRC, monitors the operations of banks and their branches through on-site examinations and off-site surveillance. On-site examinations generally include inspecting the business premises and electronic data systems of banks, interviewing their employees, senior management and directors for an explanation of significant issues relating to operations and risk management, as well as reviewing relevant documents and data maintained by the banks. Off-site surveillance generally includes reviewing business reports, financial statements and other reports regularly submitted by the banks to CBRC.

If a banking financial institution is not in compliance with an applicable banking regulation, CBRC is authorized to impose corrective and punitive measures, including imposing fines, ordering the suspension of certain business activities, withholding the approval for engaging in new businesses, imposing restrictions on dividends and other distribution, and transfer of assets, ordering the transfer of shares of the controlling shareholder(s) or the limitation of the rights of such shareholder(s), ordering restructuring of the board of directors or senior management or imposing restrictions on their rights, and withholding the approval for opening new branches. In extreme cases or when a commercial bank fails to take corrective action within the time period specified by CBRC, CBRC may order the banking financial institution to suspend operations and may revoke its business license. In the event of existing or potential credit crisis within a banking financial institution, which may materially impact the rights and interests of depositors and other customers, CBRC may takeover, or procure the restructuring of such banking financial institution.

PBoC and Inter-departmental Coordination Joint Meeting for Financial Supervision

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

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

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

MOF

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

- promulgating and implementing financial and taxation strategies, plans, policies and reform measures;
- drafting laws, administrative regulations concerning fiscal, financial and accounting management and formulating administrative rules;

- managing state-owned assets of financial enterprises, administering the appraisal of state-owned assets and participating in drafting rules governing the management of state-owned financial assets of financial enterprises; and
- supervising and inspecting the implementation of financial and taxation rules and policies, reporting critical issues in the management of fiscal revenue and expenditure and managing the financial supervision commissioners' office.

Other Regulatory Authorities

In addition to the above regulators, commercial banks in the PRC are also subject to the supervision and regulation by other regulatory authorities, including SAFE, SAIC, CSRC, CIRC, NAO, SAT, NDRC and their respective branches.

LICENSING REQUIREMENTS

Basic Requirements

The PRC Commercial Bank Law sets forth the authorized business scope and the licensing and other requirements for commercial banks. Rural commercial banks, village and township banks and other rural small and medium financial institutions are also required to comply with the *Measures for the Implementation of Administrative Licensing Matters Concerning Rural Small and Medium Financial Institutions* (《中國銀監會農村中小金融機構行政許可事項實施辦法》) promulgated by CBRC which took effect on June 5, 2015.

The establishment of a rural commercial bank requires the approval and issuance of a business license by CBRC or its local offices. In general, CBRC and its local offices will not approve an application to establish a rural commercial bank unless certain conditions are satisfied, including, amongst others:

- the articles of association are in compliance with the PRC Company Law, the PRC Commercial Bank Law and the relevant requirements of CBRC;
- it shall be established on the base of a rural cooperative bank or rural credit cooperative;
- the registered capital is equal to its paid-up capital, and the minimum registered capital of a rural commercial bank is RMB50 million;
- the directors and senior management of the proposed commercial bank possess the requisite qualifications and the proposed commercial bank has qualified practitioners who are familiar with the banking business;
- the organizational structure and the management system are sound;
- the business premises, safety and security measures and other facilities satisfy the needs of the business operation; and
- the information technology structure which satisfies the needs of the business operation has been set up, the information technology system supporting the business operation is necessary, safe and in compliance with the relevant laws and regulations, and possesses the technologies and measures to ensure its effectiveness and safety.

The establishment of a village and township bank shall be approved by the local office of CBRC through the issuance of business license. In general, no approval will be granted by the local office of CBRC for the establishment of a village and township bank unless the following conditions are fulfilled, including but not limited to:

- its articles of association are in compliance with the PRC Company Law, the PRC Commercial Bank Law and the relevant requirements of CBRC;
- its promoters have the requisite qualification and at least one of them is a banking financial institution;
- its registered capital is equal to its paid-up capital and the minimum registered capital of a village and township bank to be established at township level is RMB3 million or RMB1 million for a village and township bank to be established at village level;
- its directors and senior management possess the requisite qualifications and the proposed village and township banks have qualified practitioners who are familiar with the banking business;
- its organizational structure and management system are sound;
- it has a business strategy to support the development of Sannong and small and micro enterprises;
- its business premises, safety and security measures and other facilities satisfy the needs of the business operation; and
- the information technology structure which satisfies the needs of the business operation has been set up, the information technology system supporting the business operation is necessary, safe and in compliance with the relevant laws and regulations, and possesses the technologies and measures to ensure its effectiveness and safety.

Significant Changes

Rural commercial banks are required to obtain approval from CBRC or its local offices to undertake significant changes, including:

- change of the name;
- change of registered capital;
- change of domicile of headquarters or branches and sub-branches;
- change of business scope;
- change of form of organization;
- a purchaser holding 5% or more of the rural commercial bank's shares after purchasing shares of the rural commercial bank, and change of shareholders holding 5% or more of the rural commercial bank's total capital or shares;
- amendments to the articles of association;
- establishment or termination of branches and sub-branches;
- merger or division; and
- dissolution and liquidation.

Establishment of Branches

To establish a branch based on business needs, a rural commercial bank must apply to the relevant local office of CBRC for approval and issuance of a financial license and business license. The establishment of branches by a rural commercial bank must comply with various requirements of CBRC, including:

- having definite rural financial development strategy and established mature rural financial business models;
- has established for more than two years;
- having registered capital of not less than RMB1 billion;
- having satisfactory regulatory rating;
- having effective and efficient corporate governance and internal control system;
- complying with the major prudential regulatory requirements, i.e. NPL ratio of less than 3% and capital adequacy ratio of not less than 12%;
- having sufficient funding ability for working capital;
- having comprehensive and compliant information technology system and information security system as well as standardized data management system to ensure the continuous and secured operation;
- having no occurrence of major violation of laws and regulations and incidents caused by internal management problems in the last two years; and
- other prudential requirements imposed by CBRC.

Scope of Business

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

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

Commercial banks in the PRC are required to set forth their scope of business in their articles of association and submit their articles of association to CBRC or its local office for approval. Currently, subject to approval by PBoC and SAFE or its local office, commercial banks may engage in settlement and sales of foreign exchange.

REGULATIONS ON PRINCIPAL ACTIVITIES OF COMMERCIAL BANKS

Lending

Pursuant to the laws governing the banking industry of the PRC, in order to control risks relating to the extension of credit, commercial banks are required to (i) establish a strict and centralized credit risk management system; (ii) set up standard operation procedures for each step in the extension of credit process, including to conduct due diligence investigation for determination of credit limit, monitor repayment ability of the borrowers and issue credit evaluation report on a regular basis; and (iii) appoint qualified risk control personnel.

CBRC and other relevant authorities have issued a number of regulations and rules concerning the provision of loans by commercial banks. Set out below is a summary of some of the regulations and rules applicable to our Bank.

- according to the *Interim Measures for the Administration of Fixed Asset Loans* (《固定資產貸款管理暫行辦法》), commercial banks are required to improve their internal control system, manage the entire lending process and establish a risk management system for fixed asset loans and an effective mechanism for balancing different positions. Commercial banks are also required to strengthen the management of the use of loan and improve the management of loan extension and repayment. In addition, commercial banks are required to agree with borrowers on contractual terms that are material to controlling credit risks, and establish a loan quality monitoring system and a loan risk alert system;
- according to the *Interim Measures for the Administration of Working Capital Loans* (《流動資金貸款管理暫行辦法》), commercial banks are required to establish effective internal control mechanism and risk management system to monitor the use of working capital loans and obtain comprehensive information from clients. They are also required to reasonably and prudently estimate the actual capital demand of customers based on their business operations to determine credit limits without exceeding the customers' actual working capital need. In addition, commercial banks are required to clearly specify in the loan agreement the legal use of the working capital loan. Particularly, working capital loans cannot be used for fixed asset or equity investment, or for prohibited purposes;
- according to the *Guidelines on Risk Management for M&A Loans* by Commercial Banks (《商業銀行併購貸款風險管理指引》), a commercial bank with legal person status intending to operate M&A agency business shall have comprehensive and effective risk management and internal control system and shall have capital adequacy ratio of not less than 10%. It shall be in compliance with all other regulatory requirements and shall have professional teams responsible for due diligence and risk assessment for acquisition of loans. According to the Guidelines, commercial banks shall determine the operation process and internal control and report the same to the regulatory authority before the commencement of loan acquisition business. Commercial banks shall suspend such business if any of the aforementioned conditions is not satisfied.

CBRC and other relevant authorities have issued a number of regulations and rules concerning extending loans and granting credit to certain specific industries and customers in an effort to control the credit risks of PRC commercial banks and / or to realize the objectives of macroeconomic control.

Set out below is a summary of some of the rules and regulations applicable to our Bank.

- the *Guidelines on the Risk Management of Risks of Credits Granted by Commercial Banks to Group Borrowers* (《商業銀行集團客戶授信業務風險管理指引》) require commercial banks to establish risk management policies to control the credits granted to group borrowers and file these policies and procedures with the banking regulatory authorities. If the credit balance of a commercial bank to a single group borrower exceeds 15% of its net capital, the commercial bank is required to take remediation measures to diversify risks through syndicated loans, loan participation and loan transfer. In line with its prudential supervision requirement, the banking regulatory authorities may lower such credit balance ratio;

- the *Interim Measures for the Administration of Personal Loans* (《個人貸款管理暫行辦法》) require commercial banks to establish a set of effective end-to-end management framework and risk management system for personal loans and specify certain conditions for personal loan applications as well as relevant laws and policies regulating the use of personal loans. Commercial banks are required to specify in the loan agreement the use of personal loans, and are prohibited from extending personal loans without designated purpose;

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

- according to the *Guiding Opinions on Further Supporting the Restructuring and Revitalization of Key Industries and Curbing Overcapacity in Certain Industries through Financial Services* (《關於進一步做好金融服務支持重點產業調整振興和抑制部分行業產能過剩的指導意見》), banking financial institutions should, in response to the national industrial policy and financial control requirements, extend credit based on the principle of differential treatment. For enterprises and projects that revitalize key industries, meet market entry requirements and comply with the bank's lending policy, the regulations provide that credit extension should be made in a timely and efficient manner. For those that fail to satisfy these conditions, the regulations provide that credit should not be extended. For projects in industries with overcapacity, the regulations provide that credit extension should be strictly examined prior to approval;

- the *Guidelines of Green Credit* (《綠色信貸指引》) require banking financial institutions to support energy saving, emission reduction and environment protection, and avoid the environmental and social risks of their customers. Under these guidelines, banking financial institutions are required to effectively identify, measure, monitor and control environmental and social risks in their credit business activities, and to establish relevant risk management systems. Banks are also required to explicitly warrant to support green credit, and to formulate specific guidelines for credit extensions to restricted industries and those with substantial environmental and social risks, carry out differential and dynamic credit extension policies, and implement risk management systems. Particularly, banking financial institutions are required to conduct due diligence investigation on the environmental and social risks of customers based on their profiles. No loan shall be extended to customer not satisfying with the relevant requirements on environmental and social performance. For customers with material environmental and social risks, banking financial institutions shall also require their customers to submit environmental and social risks report and specify the terms for controlling such risks in the loan agreements. In addition, banking financial institutions shall implement specific post-loan management measures targeting the customers with potential material environmental and social risks and take appropriate risk mitigation measures timely, and report to the regulatory authorities in the event of any material environmental and social risk events;

- the *Guidelines of Energy Efficiency Loans* (《能效信貸指引》) encourages banking financial institutions to provide credit financing to energy consumption entities to support energy saving and emission reduction. According to the guidelines, banking financial institutions may extend credit to energy efficiency projects of energy consumption entities and energy performance contracting projects of energy-saving service companies. Banking financial institutions shall further improve the credit risk management for energy efficiency loans through various approaches, including (i) setting loan approval requirements for energy efficiency projects, energy consumption entities and energy-saving service companies; (ii) strengthening due diligence on energy efficiency credit extension by obtaining comprehensive information on borrowers for risk assessment; (iii) improving management of energy efficiency loan contracts and post-loan management; and (iv) establishing credit supervision and risk warning mechanisms;

- the *Guidelines on the Management of Risks of Real Estate Loans Granted by Commercial Banks* (《商業銀行房地產貸款風險管理指引》) requires commercial banks to establish criteria for the review and approval of real estate loans (including land reserve loans, real estate development loans, personal residential mortgage loans, and commercial mortgage loans) and to develop risk management and internal control systems to manage the market risk, legal risk, and operational risk in the real estate loan market. Commercial banks are not allowed to grant loans in any form to borrowers without land use right certificates and relevant permissions. CBRC and its local offices conduct periodic inspections on the implementation of such guidelines;

- *the Notice of the General Office of the State Council on Further Improvement in the Market Regulation and Control of Real Estate Market* (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》) further prohibits commercial banks from extending loans to real estate developers which are engaged in illegal activities such as possessing idle land, land speculation, hoarding properties and driving up prices;

- the *Notice of PBoC and CBRC on Issues concerning the Improvement of Differential Housing Credit Policies* (《中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知》), which implements the *Notice of the State Council on Firmly Curbing*

Excessive Rise of Housing Prices in Certain Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》) in respect of housing loans. These regulations require all commercial banks not to grant housing loans to families who are purchasing the third or more residential property or to non-PRC residents who are unable to provide evidence of local tax payment or social security fund contribution of no less than one year. With respect to a first-time purchase of any commercial residential property, the minimum down payment ratio is set at 30%, whilst the minimum down payment for a second-time homebuyer is 50% and the interest rate shall be no less than 1.1 times the PBoC benchmark lending rate;

- the *Notice of the General Office of CBRC on Issues concerning the Improvement of Housing Financial Services and the Reinforcement of Risk Management* (《中國銀監會辦公廳關於做好住房金融服務加強風險管理的通知》) provides that the minimum down payment for a second-time home buyer shall be raised to no less than 60% for housing loans granted after the issuance of the *Notice of the General Office of the State Council on Issues concerning Further Tightening the Regulation of Real Estate Market* (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知);

- the *Notice of PBoC and CBRC on Issues concerning the Further Improvement of Housing Financial Services* (《中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知》) sets the minimum down payment ratio at 30% and the minimum interest rate at 0.7 times the PBoC benchmark interest rates on loans for a first-time home buyer for self-use. The regulation provides that banking financial institutions should apply the policies for first home buyers to families who already own a residential property, have fully repaid the relevant residential mortgage loans, and are applying for a loan to purchase another ordinary residential property to improve their living conditions. In cities that have lifted or have not imposed the restrictions for property purchase, where a family that owns two or more residential properties, has repaid in full all relevant loans and applies for a loan to purchase another residential housing, banking financial institutions shall prudently determine the down payment ratio and the interest rate, taking into account the borrower's ability to make repayment and credit standing;

- according to the *Notice of PBoC, the Ministry of Housing and Urban-Rural Development and CBRC on the Issues concerning Housing Loan Policies for Individuals* (《中國人民銀行、住房城鄉建設部、中國銀行業監督管理委員會關於個人住房貸款政策有關問題的通知》) provides that if a household owns one residential property but has not fully repaid the corresponding mortgage loan and applies for a commercial housing loan again to purchase an ordinary residential property for upgrading living conditions, the minimum down payment ratio has been adjusted to not less than 40%. The specific amount of the down payment and interest rate shall be determined by the relevant banking financial institutions based on factors including the credit standing and solvency of the borrowers. All units under PBoC and CBRC shall communicate effectively with local governments according to local conditions and guidances on different classifications, and reinforce the supervision on the implementation of differentiated housing loan policies by banking financial institutions. Based on the standardized credit policies of China, these units shall guide banking financial institutions on reasonably determining the minimum down payment and interest rate for personal commercial housing loans, closely track and evaluate the implementation and effects of housing credit policies, prevent risks effectively and promote healthy and stable development of the local real estate markets;

- the *Notice of the Ministry of Housing and Urban-Rural Development, MOF and PBoC on Issues concerning the Adjustment on the Minimum Down Payment for Residential Mortgage Loans under Housing Allowances* (《住房和城鄉建設部、財政部、中國人民銀行關於調整住房公積金個人住房貸款購房最低首付款比例的通知》) stipulates that since September 1, 2015, the minimum down payment shall be reduced to 20% from 30% for households possessing one residential property with no outstanding loans and applying for entrusted loans under housing allowances again for upgrading living conditions. The government of Beijing, Shanghai, Guangzhou and Shenzhen may independently decide on the minimum down payment for entrusted loans under housing allowances for the second residential property based on the standardized policies of China and the local conditions;

- the *Notice of PBoC and CBRC on Issues concerning the Further Improvement of Differential Housing Credit Policies* (《中國人民銀行、中國銀行業監督管理委員會關於進一步完善差別化住房信貸政策有關問題的通知》) states that for personal commercial housing loans provided to families for the first-time purchase of ordinary housing, the minimum down payment ratio shall be adjusted to not less than 25% in cities that have not imposed the restriction policy for property purchase. Each of the units under PBoC and CBRC shall strengthen communication with local governments according to local conditions and providing guidance on different classifications. Based on different situations in different cities under its governance, each unit shall give guidance to the local government for determining the minimum down payment for personal commercial housing loans by integrating self-regulatory mechanism for provincial market interest rate with local situations in accordance with the standardized credit policies of China; and

- the *Notice of PBoC and CBRC on Issues concerning the Adjustment on Residential Mortgage Loan Policies* (《中國人民銀行、中國銀行業監督管理委員會關於調整個人住房貸款政策有關問題的通知》) requires that in cities that have not imposed home purchasing restrictions, the minimum down payment ratio for personal commercial housing loans provided to families for the first-time purchase of ordinary housing shall be 25% in principle with a downward floating range of 5 percentage points. The minimum down payment ratio shall be adjusted to no less than 30% for households possessing one residential property with standing loans but applying for more commercial housing loans to purchase ordinary housing for upgrading living conditions. In cities that have imposed home purchasing restrictions, the residential mortgage loan policies shall be carried out according to the existing stipulations. The banking financial institutions shall prudentially determine the minimum down payment ratio and loan rate by integrating the requirements of the minimum down payment ratio based on the provincial self-regulatory market rate mechanism, the internal policies of the banking financial institutions on personal commercial housing loans and risk prevention and control, as well as factors such as the solvency and credit standing of the borrowers.

According to the *Advice of MOF, PBoC and CBRC on the Refinancing of Project-in-Progress of the Financing Platforms of Local Governments* (《財政部、人民銀行、銀監會關於妥善解決地方政府融資平台公司在建項目後續融資問題的意見》), the *Advice of CBRC on the Strengthened Risk Management of the Loans through Financing Platforms* (《中國銀監會關於加強融資平台貸款風險管理的指導意見》), the *Notice of CBRC on the Effective Risk Management of Loans through Financial Platforms of Local Governments in 2011 (《中國銀監會關於切實做好2011年地方政府融資平台貸款風險監管工作的通知》), and the Advice of CBRC on the Risk Management of Loans through Financial Platforms of Local Governments in 2012 (《中國銀監會關於加強2012年地方政府融資平台貸款風險監管的指導意見》),* banking financial institutions shall strictly comply with the requirements of pre-disbursement, disbursement and post-disbursement examinations for loans to financial platforms of local governments. Loans shall be prudently provided to the financial platforms of local governments and shall be carefully classified. The loans shall be adjusted dynamically to reflect and assess the risks associated with the loans. Banking financial institutions shall consider the total liabilities of local governments and the potential risks and estimated losses of loans to financial platforms of local governments so as to make adequate provision for impairment and to calculate the risk-weighted capital adequacy ratio on the basis of full, standard, half and no cash flow coverage. According to *the Advice of CBRC on the Risk Management of Loans through Financial Platforms of Local Governments in 2013 (《中國銀監會關於加強2013年地方政府融資平台貸款風險監管的指導意見》)*, banks shall determine the ceilings of loans to financial platforms of local governments and the financing vehicles of local governments shall not be allowed to expand. Financing vehicles of local governments having cash flow coverage of less than 100% or having gearing ratio making up higher than 80% are not allowed to be provided with loans of a proportion of the total platform loans higher than that of the previous year. Furthermore, the banks shall take measures to reduce the level of loans to such platforms and intensify the efforts of loan collection.

CBRC has also issued relevant guidelines and measures to control risks relating to the loans to related parties. See "—Corporate Governance and Internal Control—Related Party Transactions."

Foreign Exchange Business

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

Securities and Assets Management Business

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

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

According to the *Management Measures for Custody of Securities Investment Funds* (《證券投資基金託管業務管理辦法》) published by CSRC and CBRC on April 2, 2013, a commercial bank is permitted to apply for the right to engage in custodian business for securities investment funds, if amongst other requirements, such commercial bank has year-end net assets of no less than RMB2 billion at the end of each of the most recent three fiscal years and if its capital adequacy ratio meets the relevant regulatory requirements. The fund custodian must make sure to separate fund custody business from other businesses and isolate the fund assets. CSRC and CBRC will jointly examine and approve the qualifications of custody of commercial banks for fund custody and supervise them. According to the *Management Measures for Enterprise Annuity Fund* (《企業年金基金管理辦法》) jointly issued and amended by the Ministry of Human Resources and Social Security, CBRC, CSRC and CIRC on April 30, 2015, commercial banks shall establish independent custody and investment department when acting as the custodian of enterprise annuity plans. In addition, the office area, operation management process and business system must be separated strictly. The senior management members directly in charge and general staff in the custody business and investment department shall not hold concurrent posts mutually.

Insurance Agency Business

Commercial banks in the PRC are not permitted to underwrite insurance policies, but are permitted to act as agents to sell insurance products through their distribution networks. Commercial banks that conduct agency sales of insurance products are required to comply with applicable rules issued by CIRC. For example, each outlet of a commercial bank may, in principle, cooperate with no more than three insurance companies in a fiscal year to sell their insurance products. If the outlet cooperates with more than three insurance companies, the outlet must report to the local office of CBRC. Pursuant to the *Supervisory Guidance on the Insurance Agency Business of Commercial Banks* (《商業銀行代理保險業務監管指引》) jointly issued by CIRC and CBRC on March 7, 2011, if a commercial bank operates an insurance agency business, each of its business outlets is required to obtain the requisite license issued by CIRC and authorization from the tier-one branch of the commercial bank before operating such business. On April 25, 2016, CIRC issued the *Notice on the Issues Relating to the Administrative Permits of Banks Engaging in Insurance Agency Business* (《中國保監會關於銀行類保險兼業代理機構行政許可有關事項的通知》) to replace the former requirement of the outlets being the holders of business licenses. Under the new requirements, the legal entity shall apply for the license to provide insurance agency services, obtain the business license and carry out centralized registration for all of its outlets. Therefore, outlets of banking financial institutions may provide insurance agency services based on the authorization of the banking financial institutions upon obtaining the licenses for insurance agency business.

On January 8, 2014, CIRC and CBRC jointly issued the *Notice Concerning Further Regulation of Agency Sales of Insurance Business Conducted by Commercial Banks* (《中國保監會、中國銀監會關於進一步規範商業銀行代理保險業務銷售行為的通知》), which requires commercial banks to assess the demands and risk tolerance of the policyholders. The total premium received by a commercial bank from agency sales of accident insurance, health insurance, term life insurance, whole life insurance, annuity insurance with an insurance period of no less than 10 years, endowment insurance with an insurance period of no less than 10 years, property insurance (excluding investment insurance offered by property insurance companies), guarantee insurance and credit insurance shall be no less than 20% of the total premium of its insurance agency business. On May 5, 2016, CBRC issued the *Notice on Regulating the Agency Sales Business of Commercial Banks* (《中國銀監會關於規範商業銀行代理銷售業務的通知》), which sets out further requirements on the agency sales of financial products by commercial banks. According to the notice, commercial banks engaging in agency sales shall strengthen the qualification assessment of investors, fully disclose risks of products distributed, and only recommend financial products matching with the risk profile of customers. Commercial banks shall establish a system to separate the risks of agency sales business and other businesses in order to strictly separate the accounts, funds and accounting and auditing procedures of agency sales business. Commercial banks may only distribute financial products issued by financial institutions with financial licenses under the supervision and administration by CBRC, CSRC and CIRC according to laws, and may not distribute products issued by other institutions beyond the authorized scope, except for government bonds, physical precious metals and other products required by CBRC. Commercial banks shall conduct due diligence on products to be distributed, and shall not solely base on the review materials on the products provided by the counterparty.

Wealth Management

On September 24, 2005, CBRC issued the *Interim Measures on Administration of the Personal Wealth Management Services of Commercial Banks* (《商業銀行個人理財業務管理暫行辦法》). In addition to domestic wealth management, PBoC, CBRC and SAFE jointly issued the *Interim Administrative Measures for Commercial Banks to Provide Overseas Financial Management Services* (《商業銀行開辦代客境外理財業務管理暫行辦法》), effective on April 17, 2006, which permits duly licensed commercial banks to make overseas investments using funds from investors in pre-approved financial products on behalf of domestic institutions and individuals.

On July 6, 2009, CBRC issued the *Notice of CBRC on Concerning Further Regulation of Investment Management of Personal Wealth Management Business Conducted by Commercial Banks* (《中國銀監會關於進一步規範商業銀行個人理財業務投資管理有關問題的通知》), which stipulates the specific conditions of using wealth management funds to invest in fixed-income financial products, credit assets of banks, grant of fiduciary loans, publicly traded or privately traded asset portfolios, financial derivatives or structured products, and collective trust fund plans. Moreover, the Notice prohibits the use of wealth management funds on shares publicly traded in the domestic secondary market or their related securities investment funds. Subscription for new shares by virtue of wealth management funds is subject to PRC laws, regulations and regulatory requirements. No wealth management funds are allowed to be used for investment in equity of unlisted companies and shares of listed companies which were not publicly issued or traded. For the customers with relevant investment experience, high risk tolerance level and high net asset value, commercial banks may meet their investment needs through provision of retail banking services without being subject to the above restrictions.

In order to further standardize and regulate the sales of wealth management products, CBRC issued the *Management Measures on Sales of Wealth Management Products by Commercial Banks* (《商業銀行理財產品銷售管理辦法》) on August 28, 2011, requiring commercial banks to operate prudently and disclose their wealth management business promptly, so as to fully protect the interests of consumers.

On March 25, 2013, CBRC issued the *Notice on Standardizing Certain Issues related to the Investment Operation of Wealth Management Business of Commercial Banks* (《中國銀監會關於規範商業銀行理財業務投資運作有關問題的通知》), to reinforce the regulation of wealth management business of commercial banks. As required, commercial banks shall clarify the invested assets for each wealth management product. In addition, the balance of non-standard debt assets invested with the wealth management fund of a commercial bank shall not exceed 35% of the balance of wealth management products or 4% of its total assets disclosed in the audit report for the last year (whichever is lower) at any time.

On July 10, 2014, CBRC issued the *Notice on Issues Related to the Improvement of Banks' Organization and Management System of Wealth Management Business* (《中國銀行業監督管理委員會

關於完善銀行理財業務組織管理體系有關事項的通知》), requiring banking financial institutions to reform the divisional system of wealth management business, establish dedicated wealth management operation department and manage the bank-wide wealth management business in a unified way according to requirements for independent accounting, risk separation, code of conduct, and centralized management. The wealth management business of commercial banks shall comply with the relevant regulatory requirements of the banking industry.

Bill Acceptance Business

Under the PRC Commercial Bank Law, in respect of the settlement businesses of commercial banks, including the acceptance and discounts on bills, remittance bills and entrusted fund collection, commercial banks shall make payments on the bills according to the term as required and keep records for all payments and receipts of funds in their books. Commercial banks may not delay or refuse to pay under the bills in violation of the terms of the bills. Commercial banks' policies regarding the time limits for the payment and collection of bills shall be published.

On April 26, 2016, PBoC and CBRC jointly issued the *Circular on Strengthening Regulations on Bills Business and Promoting the Healthy Development of the Bills Market* (《關於加強票據業務監管促進票據市場健康發展的通知》) ("Circular 126"). Circular 126 requires commercial banks to (i) enhance internal control and management of bills business; (ii) consistently conduct background checks on underlying transactions; (iii) regulate the operational process for bills business; and (iv) conduct self-inspections on risks related to bills business.

Interbank Business

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

On May 8, 2014, the General Office of CBRC issued the *Notice on the Regulation of the Management of Interbank Business Conducted by Commercial Banks* (《關於規範商業銀行同業業務治理的通知》), which requires commercial banks to establish a management system for interbank businesses based on the scale and complexity of the interbank businesses conducted, and conduct all interbank businesses through specialized departments by the end of September 2014. For the interbank businesses which can be conducted in the form of electronic transactions via financial trading markets, such as interbank borrowing and lending, bonds held under resale agreements and bonds sold under repurchase agreements and certificates of interbank deposits, specialized departments may not entrust other departments or branches to handle them. For the interbank business which cannot be conducted in the form of electronic transactions via financial trading markets, specialized departments may entrust other departments or branches to conduct operations such as marketing and inquiry, project initiation and customer relationship maintenance. The specialized departments, however, must approve the counterparty, amount, term, pricing and contract on a case-by-case basis, and shall be responsible for centralizing accounting treatment and assuming full risk control accountability. Commercial banks shall establish a sound management system for the license of interbank businesses, improve the credit management policies and the counterparty entry system.

Electronic Banking

On January 26, 2006, CBRC promulgated the *Administrative Measures on Electronic Banking Business* (《電子銀行業務管理辦法》), pursuant to which all commercial banks seeking to establish an e-banking business shall develop sound risk management and internal control systems, and adopt security measures to ensure the confidentiality of customer information and prevent the unauthorized use of e-banking accounts. In addition, commercial banks are not permitted to have any major accidents relating to their primary information management and operations processing systems in the year immediately prior to the submission of their application for establishing e-banking business.

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

On January 15, 2016, the State Council published the *Plan for Promoting Inclusive Finance (2016-2020)* (《推進普惠金融發展規劃》(2016-2020年)) to guide the financial institutions to actively develop the electronic payment method and gradually construct a business channel systems consisting of electronic payment channels and physical networks which complement each other.

Credit Card

On January 13, 2011, CBRC issued the *Administrative Measures on Supervision of the Credit Card Business of Commercial Banks* (《商業銀行信用卡業務監督管理辦法》), which stipulates certain conditions for the credit card business by commercial banks, including the prior approval of CBRC and effective internal control, risk management and accountability system. Commercial banks shall provide sufficient relevant information disclosure in respect of business risks and establish a corresponding complaint handling mechanism for their credit card business.

Proprietary Investments

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

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

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

Derivatives

On February 4, 2004, CBRC issued the *Interim Measures for Derivatives Trading Business by Financial Institutions* (《金融機構衍生產品交易業務管理暫行辦法》), which sets out the market entry requirements and detailed regulations of risk management with regard to the derivatives business by financial institutions. Pursuant to the interim measures, commercial banks in the PRC shall obtain the relevant qualifications and prior approval from CBRC before they conduct derivatives business. In addition, certain additional regulations were issued to further enhance risk management of derivatives business conducted by commercial banks in the PRC. The *Interim Measures for Derivatives Trading Business by Financial Institutions* were amended on July 3, 2007 and January 5, 2011.

On January 5, 2011, CBRC issued the *Interim Measures for Derivatives Trading Business by Banking Financial Institutions* (《銀行業金融機構衍生產品交易業務管理暫行辦法》) to regulate derivatives business of banking financial institutions and effectively control the risks arising therefrom. These measures required the banking financial institutions to obtain approval from, and be subject to the monitoring and supervision of, CBRC in respect of their derivatives trading business.

On December 5, 2014, SAFE issued the *Notice on the Relevant Administrative Policy for Adjusting the Entry of Financial Institutions into the Interbank Foreign Exchange Market* (《國家外匯管理局關於調整金融機構進入銀行間外匯市場有關管理政策的通知》) to adjust the entry of domestic financial institutions into the interbank foreign exchange market. The Notice requires that domestic financial institutions may become members of the interbank foreign exchange market and carry out RMB spot foreign exchange and derivative trading after they have obtained the qualification of spot sales and settlement in foreign exchange business with approval from SAFE and the qualification of derivative trading business with approval from the relevant financial regulatory authority, subject to the satisfaction of technical standard requirements of the relevant business in the interbank foreign exchange market.

Financial Innovations

On December 5, 2006, CBRC issued the *Guidelines on Financial Innovations of Commercial Banks* (《商業銀行金融創新指引》), the purpose of which is to encourage PRC commercial banks to prudently engage in financial innovation-related activities, including developing new businesses and products and improving existing businesses and products, expanding their scope of business, enhancing cost efficiency and profitability, and reducing their reliance on loan business for profits. CBRC has indicated that it will streamline approval procedures and improve the approval efficiency for new products in order to encourage the financial innovation of PRC commercial banks.

Financing to Small and Micro Enterprises and Sannong Enterprises

On April 19, 2012, the State Council issued the *Opinions on Further Supporting the Healthy Development of Small and Micro Enterprises* (《國務院關於進一步支援小型微型企業健康發展的意見》), clarifying its further support to the healthy development of small and micro enterprises. On August 2, 2012, the General Office of the State Council issued the *Plan for Work Division among Major Departments for Further Supporting the Healthy Development of Small and Micro Enterprises* (《進一步支持小型微型企業健康發展重點工作部門分工方案》), dividing the work among CBRC, PBoC, MOF and other departments for relieving the financing difficulties faced by small and micro enterprises.

On August 8, 2013, the General Office of the State Council issued the *Implementation Opinions on Financial Supports to the Development of Small and Micro Enterprises* (《關於金融支持小微企業發展的實施意見》), giving certain advices on further enhancing financial services to small and micro enterprises and the support to their development.

On August 29, 2013, *CBRC issued the Guidance Opinions on Further Improving Financial Services to Small and Micro Enterprises* (《關於進一步做好小微企業金融服務工作的指導意見》), which proposes certain requirements on further promoting Chinese banking industry financial service to small and micro enterprises, further improving the monitoring indicator system and assessments of financial service for small and micro enterprises.

On July 23, 2014, CBRC issued the *Notice of Improving and Innovating Loan Services to Small and Micro Enterprises and Improving Financial Service Level to Small and Micro Enterprises* (《關於完善和創新小微企業貸款服務提高小微企業金融服務水平的通知》), which proposes certain requirements on banking financial institutions to rationally resolve the loan term of small and micro enterprises, to diversify the products of loan, to innovate service mode, and to improve risk management.

On June 22, 2015, CBRC issued the *Notice on Further Implement Financial Service Supervising Policy of Small and Micro Enterprises* (《關於進一步落實小微企業金融服務監管政策的通知》), which proposes certain requirements on ensuring the implementation of policies, clarifying the emphasis of supports, increasing the input of credit and loan, advancing the innovation of loan services, improving tolerance indicator of non-performing assets, strengthening differentiated assessment, improving the service ability, and standardizing service charge for the purpose of implementing each supporting policy and continually improving and deepening financial service to small and micro enterprises.

On March 12, 2016, Mr. Fulin Shang, the president of the CBRC, made it clear in the Press Conference for the Fourth Session of the Standing Committee of the twelfth National People's Congress that, the financial service system of small and micro enterprises shall be improved, the reform of issues of Sannong shall be supported, the trials of the grant of mortgage loans secured on the use/ownership right to the forest or the forestland use right or the rural contracted land use rights and farmers' housing property rights shall be expanded, and every effort shall be made to grant increasing credit loans to farmers continually.

On July 1, 2016, the General Office of the State Council issued the *Notice on Further perfecting relevant work in relation to Private Investment* (《國務院辦公廳關於進一步做好民間投資有關工作的通知》), which requires the CBRC to urge banking financial institutions to strictly comply with three requirements, namely the growth of credit loans granted to small and micro enterprises shall not be slower than the average growth of all loans, the number of small and micro enterprises, to which loans have been granted, shall not be less than that of the corresponding period of last year, the rate of small and micro enterprises getting loans successfully shall not be less than that of the corresponding period of last year.

Internet Finance

On July 18, 2015, PBoC, CBRC, MIIT and other ministries jointly issued the *Guidance Opinions on Promoting Healthy Development of Internet Finance* (《關於促進互聯網金融健康發展的指導意見》) with an aim to promote financial reforms and innovations and healthy development of Internet finance by providing the following guidelines: (i) encouraging innovations and supporting the stable development of Internet finance; (ii) providing separate guidelines and specifying supervision responsibility regarding Internet finance; and (iii) optimizing the systems and regulating the order of Internet finance market.

Certificates of Deposit

Pursuant to the *Trial Measures on Management of Certificates of Deposit* (《大額存單管理暫行辦法》) promulgated by PBoC on June 2, 2015 and amended on June 3, 2016, the development of certificates of deposit business is regulated and the market pricing range of liability products issued by deposit-taking financial institutions is expanded to promote the liberalization of interest rates in an orderly manner. A self-regulated pricing system shall be developed by banks to determine the interest rates of certificates of deposit based on market conditions and the relevant rules. PBoC promulgated the *Implementation Provisions of Management of Certificates of Deposit* (《大額存單管理實施細則》) on June 2, 2015.

PRICING OF PRODUCTS AND SERVICES

Interest Rates for Loans and Deposits

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

From March 17, 2005 to August 18, 2006, interest rates for personal residential mortgage loans were regulated in the same way as most other types of loans. On August 19, 2006, the minimum interest rate for personal residential mortgage loans was adjusted to 85% of the PBoC benchmark lending rate. On October 27, 2008, the minimum interest rate for personal residential mortgage loans was adjusted to 70% of the PBoC benchmark lending rate. On April 17, 2010, the minimum interest rate for the personal residential mortgage loans to second-time homebuyers in China was adjusted to 110% of the PBoC benchmark lending rate. On July 20, 2013, PBoC removed the minimum interest rate requirement for new loans provided by commercial banks, whereas the minimum interest rates for new personal residential mortgage loans remained at 70% of the PBoC benchmark lending rates. On September 29, 2014, PBoC and CBRC announced that the policies for first-time homebuyers should apply if a family already owned a residence, had fully repaid the relevant loan, and applied for a loan to purchase another ordinary commercial residence to improve its living condition.

With effect from October 29, 2004, commercial banks in the PRC were allowed to set their own interest rates of RMB-denominated deposits so long as such interest rates were not higher than the relevant PBoC benchmark rates. With effect from June 8, 2012, commercial banks in the PRC were allowed to set their own interest rates of RMB-denominated deposits up to 110% of the relevant PBoC benchmark rates. With effect from November 22, 2014, commercial banks in the PRC were allowed to set their own interest rates of RMB-denominated deposits up to 120% of the relevant PBoC benchmark rates. With effect from March 1, 2015, commercial banks in the PRC were allowed to set their own interest rates of RMB-denominated deposits up to 130% of the relevant PBoC benchmark rates. With effect from May 11, 2015, PBoC raised the cap of interest rates on RMB-denominated deposits to 150% of the relevant PBoC benchmark rates. However, such restrictions do not apply to interest rates on negotiated deposits, which are deposits by domestic insurance companies of RMB30 million or more or deposits by social security funds of RMB500 million or more, in each case with a term of more than five years, or deposits by Postal Savings Bank of China of RMB30 million or more with a term of more than three years, or pension insurance funds of RMB500 million or more with a term of more than five years. Effective on August 26, 2015, PBoC removed the cap on the interest rates on RMB-denominated time deposits with tenors of longer than one year while the cap on the interest rates on RMB-denominated demand deposits and time deposits with tenors up to one year remain unchanged. Furthermore, effective on October 24, 2015, PBoC removed the cap on interest rates on deposits and allowed commercial banks in China to set interest rates on deposits based on commercial considerations.

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

The following table sets forth the benchmark rate of RMB loans of PBoC since 2011:

Date of adjustment	Six months or less	Six months to one year (inclusive)	One to three years (inclusive)	Three to five years (inclusive)	Over five years	Housing provident fund loans: Five years or less	Housing provident fund loans: Over five years
	(Annualized interest rate: %)						
February 9, 2011	5.60	6.06	6.10	6.45	6.60	4.00	4.50
April 6, 2011	5.85	6.31	6.40	6.65	6.80	4.20	4.70
July 7, 2011	6.10	6.56	6.65	6.90	7.05	4.45	4.90
June 8, 2012	5.85	6.31	6.40	6.65	6.80	4.20	4.70
July 6, 2012	5.60	6.00	6.15	6.40	6.55	4.00	4.50
November 22, 2014	5.60	5.60	6.00	6.00	6.15	3.75	4.25
March 1, 2015	5.35	5.35	5.75	5.75	5.90	3.50	4.00
May 11, 2015	5.10	5.10	5.50	5.50	5.65	3.25	3.75
June 28, 2015	4.85	4.85	5.25	5.25	5.40	3.00	3.50
August 26, 2015	4.60	4.60	5.00	5.00	5.15	2.75	3.25
October 24, 2015	4.35	4.35	4.75	4.75	4.90	2.75	3.25

Source: PBoC

The following table sets forth the benchmark rate of RMB deposits of PBoC since 2011:

Date of adjustment	Demand deposits	Time deposits: Three months	Six months	One year	Two years	Three years	Five years
	(Annualized interest rate: %)						
February 9, 2011	0.40	2.60	2.80	3.00	3.90	4.50	5.00
April 6, 2011	0.50	2.85	3.05	3.25	4.15	4.75	5.25
July 7, 2011	0.50	3.10	3.30	3.50	4.40	5.00	5.50
June 8, 2012	0.40	2.85	3.05	3.25	4.10	4.65	5.10
July 6, 2012	0.35	2.60	2.80	3.00	3.75	4.25	4.75
November 22, 2014	0.35	2.35	2.55	2.75	3.35	4.00	N/A(1)
March 1, 2015	0.35	2.10	2.30	2.50	3.10	3.75	N/A
May 11, 2015	0.35	1.85	2.05	2.25	2.85	3.50	N/A
June 28, 2015	0.35	1.60	1.80	2.00	2.60	3.25	N/A
August 26, 2015	0.35	1.35	1.55	1.75	2.35	3.00	N/A
October 24, 2015	0.35	1.10	1.30	1.50	2.10	2.75	N/A

Source: PBoC

(1) Since November 22, 2014, PBoC has no longer published the benchmark rate for five-year RMB-denominated deposits.

Pricing for Fee- and Commission-based Products and Services

CBRC, PBoC and NDRC jointly issued the *Notice on the Waiver of Certain Service Charges of Banking Financial Institutions* (《關於銀行業金融機構免除部分服務收費的通知》) on March 9, 2011, which requires banking financial institutions to waive certain charging items in relation to RMB personal accounts starting from July 1, 2011.

On January 20, 2012, CBRC issued the *Notice on Rectifying the Irregular Operations of Banking Financial Institutions* (《關於整治銀行業金融機構不規範經營的通知》), which sets out certain prohibited operations in relation to charging items for banking financial institutions' credit business and enhances the pricing transparency.

Under the *Administrative Measures on Pricing of Commercial Banking Services* (《商業銀行服務價格管理辦法》) jointly issued by CBRC and NDRC on February 14, 2014 and effective on

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

STATUTORY DEPOSIT RESERVE

Commercial banks are required to maintain a percentage of their total deposits as reserves with PBoC to ensure they have sufficient liquidity to meet customer withdrawals. Currently, according to relevant requirements of PBoC, non-county rural commercial banks shall be subject to a required reserve ratio of 15%. Non-county rural commercial banks which satisfy the requirement of prudent operation and whose loans to "Sannong" or SMEs increased by 15% as of the end of the first half of the year shall be subject to a required reserve ratio of 0.5% lower than the statutory level of similar institutions; non-county rural commercial banks which satisfy the requirement of prudent operation and whose loans to "Sannong" or SMEs increased by 50% as of the end of the first half of the year with a remaining balance accounting for 30% shall be subject to a required reserve ratio of 1.5 percentage points lower than the statutory level of similar institutions. County rural commercial banks shall be subject to a required reserve ratio of 12%. County rural commercial banks whose new loans amount to certain percentage of the local requirements shall be subject to a required reserve ratio of 1% lower than the statutory level.

The following table set forth the RMB reserve ratio applicable to us since 2011. From March 1, 2016 to the Latest Practicable Date, PBoC did not have further adjustment on our applicable reserve ratio.

Date of adjustment	Reserve ratio (%)
January 20, 2011	17
February 24, 2011	17.5
March 25, 2011	18
April 21, 2011	18.5
May 18, 2011	19
June 20, 2011	19.5
December 5, 2011	19
February 24, 2012	18.5
May 18, 2012	18
February 5, 2015	17.5
February 16, 2015	16.5
April 20, 2015	15.5
September 6, 2015	15
October 24, 2015	14
February 25, 2016	15
March 1, 2016	14.5

Source: PBoC

SUPERVISION OVER CAPITAL ADEQUACY

Latest CBRC Supervisory Standards over Capital Adequacy

Prior to March 1, 2004, commercial banks shall maintain a minimum capital adequacy ratio of 8% and a minimum core capital adequacy ratio of 4%, both of which were based on the following formulae as promulgated by CBRC:

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

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

On February 23, 2004, CBRC issued the Capital Adequacy Measures, which became effective on March 1, 2004 and was amended on July 3, 2007 and was revoked by the Capital Administrative Measures on January 1, 2013.

We were required to comply with the Capital Adequacy Measures before January 1, 2013. The Capital Adequacy Measures required commercial banks to maintain a minimum capital adequacy ratio of 8% and a minimum core capital adequacy ratio of 4%.

In addition, according to the Capital Administrative Measures, prior to calculating the capital adequacy ratio, commercial banks shall make sufficient provisions for various impairment losses (including those related to loans). Stricter requirements for the capital adequacy ratio were made under the amendments.

According to the Capital Adequacy Measures, the capital adequacy ratio shall be based on the following formulae as promulgated by CBRC:

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

$$\text{Core capital adequacy ratio} = \frac{\text{Core capital - Deductions}}{\text{Risk-weighted assets + 12.5 x market risk capital}} \text{ x } 100\%$$

In the above formulae:

Capital	Includes core capital and supplementary capital.
Core capital	Includes paid-in capital or common shares, capital reserve, surplus reserve, retained earnings and minority interests.
Supplementary capital	Includes up to 70% of revaluation reserve, general reserve, preference shares, qualified convertible bonds, qualified long-term subordinated bonds, qualified hybrid capital bonds and changes in fair value. (any positive change of no more than 50% to the fair value of available-for-sale bonds that have been included as part of the owners' equity interests may be calculated as supplementary capital; and any negative change to the fair value shall be deducted from supplementary capital in

	full. When a commercial bank calculates its capital adequacy ratio, it shall transfer the fair value of available-for-sale bonds that have been included in the capital reserves from the core capital into the supplementary capital.)
Capital deductions	Include goodwill, capital investments in non-consolidated financial institutions, and equity investments in non-bank financial institutions and enterprises and capital investment in real estate not for self-use.
Core capital deductions	Include goodwill, 50% of capital investments in non-consolidated financial institutions, 50% of equity investments in non-bank financial institutions and enterprises and 50% of capital investment in real estate not for self-use.
Risk-weighted assets	Refer to the assets calculated by multiplying the value of on- and off-balance sheet assets by their corresponding risk weightings, after taking into account risk-mitigating factors.
Market risk capital	Refers to the capital reserve that a bank is required to maintain for the market risks relating to its assets. Commercial banks with total trading book positions greater than 10% of the bank's total on- and off-balance sheet assets or over RMB8,500 million are required to make provisions for market risk capital.

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

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

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

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

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

In the preceding formulae:

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

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

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

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

Items	Risk Weightings
a. Cash	
i. Cash and cash equivalents	0%
b. Claims on central government and central bank	
i. Claims on the PRC central government	0%
ii. Claims on PBoC	0%
iii. Claims on central governments or central bank of other countries or jurisdictions where the credit ratings for such countries or jurisdictions are AA- (including AA-) or higher[(1)]	0%

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

Items			Risk Weightings
j.	Equity		
	i.	Equity investments in financial institutions (part not deducted)	250%
	ii.	Passive equity investments in business enterprises	400%
	iii.	Equity investment in business enterprises for policy reasons upon the extraordinary approval of the State Council	400%
	iv.	Other equity investments in business enterprises	1,250%
k.	Real estate not for own use		
	i.	Real estate not for own use, obtained by practicing mortgage rights within the lawful disposition period	100%
	ii.	Other real estate not for own use	1,250%
l.	Other assets		
	i.	Net deferred tax assets in reliance on the bank's future profit (part not deducted)	250%
	ii.	Other assets on balance sheet	100%(1)

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

Regulatory Requirements in respect of Capital Adequacy Ratios

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

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

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

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

In addition, the systematically important banks in the PRC are required to calculate and set aside additional capital in an amount equal to 1% of their risk-weighted assets, which is to be fulfilled by core tier-one capital. If a PRC bank is recognized as a global systematically important bank, the additional capital requirement applicable to it cannot be less strict than those requirements generally provided for by the Basel Committee on Banking Supervision.

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

- specific capital requirements in respect of certain asset portfolios on the basis of risk assessment; and
- specific capital requirements on an individual bank according to the results of supervisory inspections.

Time Limit for Meeting the Requirements

The Capital Administrative Measures provide that commercial banks are required to meet the regulatory requirements on capital adequacy ratios as set forth in those measures before the end of 2018, and where circumstances permit, commercial banks are encouraged to meet the requirements ahead of schedule.

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

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

Note: We are categorized as "other banks" as shown in the table above.

In addition, if the regulatory authorities require commercial banks to set up countercyclical capital buffer requirements or impose capital requirements on an individual bank under the second pillar, the regulatory authorities will prescribe a time limit for meeting the requirements. Commercial banks subject to such additional requirements are required to meet the relevant deadlines.

Issuance of Capital Instruments to Replenish Capital

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

On September 5, 2006, PBoC issued PBoC Announcement (2006) No.11—*Notice Regarding the Issuance of Hybrid Capital Bonds by Commercial Banks* (《中國人民銀行公告 (2006)第11號—商業銀行發行混合資本債券的有關事宜的公告》), which set out the definition and regulations on the issuance of hybrid capital bonds.

On June 7, 2012, CBRC issued the Capital Administrative Measures which redefined the capital structure of a commercial bank from core capital and supplementary capital under the Capital Adequacy Measures with core tier-one capital, other tier-one capital and tier-two capital. In addition, the Capital Administrative Measures provided the concept and criteria for inclusion of tier-two capital instruments, which differs from that of subordinated debt, subordinated bonds and hybrid capital bonds. Pursuant to the Capital Administrative Measures, unqualified tier-two capital instruments issued by a commercial bank before September 12, 2010 may be included in regulatory capital before January 1, 2013, but, from January 1, 2013, such instruments are to be decreased by 10% each year and, from January 1, 2022, such instruments are no longer allowed to be included in regulatory capital. For a tier-two capital instrument issued by a commercial bank between September 12, 2010 and January 1, 2013, if the instrument has no write-down or share conversion clause but meets the other criteria for inclusion of the relevant capital instruments, it may be included in regulatory capital before January 1, 2013, but, from January 1, 2013, such instruments are to be decreased by 10% each year and, from January 1, 2022, such instruments are no longer allowed to be included in regulatory capital.

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

On October 30, 2013, CSRC and CBRC jointly promulgated the *Guidance Opinions on the Issuance of Corporate Bonds by Commercial Banks for Capital Replenishment* (《關於商業銀行發行公司債券補充資本的指導意見》), which became effective on November 6, 2013. According to the guidance opinions, commercial banks, whose shares are listed of are contemplated for listing, that wishes to issue corporate bonds with write-down clauses to supplement capital shall design the relevant terms of the corporate bonds appropriately, formulate a feasible issuance plan, which shall be submitted to CBRC for the confirmation of the nature of capital according to the relevant regulations. CBRC shall then issue a regulatory opinion on such issuance plan.

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

On April 3, 2014, CBRC and CSRC jointly issued the *Guidance Opinions on the Issuance of Preference Shares by Commercial Banks for Tier-one Capital Replenishment* (《關於商業銀行發行優先股補充一級資本的指導意見》), which allows commercial banks to issue preference shares to replenish tier-one capital. The issuance of preference shares by commercial banks shall comply with the requirements of the State Council and CSRC and fulfill the conditions regarding the issue of capital replenishment instruments of CBRC. In addition, the core tier-one capital adequacy ratio shall meet the prudent regulatory requirements of CBRC. The issuance of preference shares by commercial banks shall comply with the Capital Administrative Measures and meet the standard requirements regarding other tier-one capital instruments of the *Guidance Opinions on Capital Instrument Innovation of Commercial Banks*. Commercial banks shall apply to CBRC (or its local offices) for the issuance and apply to CSRC after obtaining the approval of CBRC. CSRC will review the application according to the *Administrative Measures on the Pilot Scheme of Preference Shares* (《優先股試點管理辦法》) and other regulations. Non-listed commercial banks shall apply for the listing of the preference shares on the National Equities Exchange and Quotations System for public trading under the supervision of non-listed public companies in accordance with the requirements of CSRC.

CBRC's Supervision of Capital Adequacy

CBRC is responsible for supervising the capital adequacy of banking financial institutions in the PRC. It reviews and evaluates banking financial institutions' capital adequacy through both on-site examination and off-site surveillance. Commercial banks are required to report to CBRC their unconsolidated capital adequacy ratios on a quarterly basis and their consolidated capital adequacy ratios on a semi-annual basis.

Under the Capital Administrative Measures, commercial banks are classified into four categories based on their capital adequacy ratios, and CBRC may take corresponding measures to these banks, the details of which are as follows:

Categories	Capital adequacy	Measures of CBRC
Type I	Capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio all meet the capital requirements at all levels.	• to require the commercial bank to improve the analysis and forecast of the reasons for the decrease of its capital adequacy ratios; • to require the commercial bank to formulate a practicable capital adequacy ratio management plan; and • to require the commercial bank to improve its risk control capability.
Type II	Capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio do not meet capital requirements of the second pillar, but not less than capital requirements at other levels.	• adopting the regulatory measures for Type I banks; • to hold talks on prudent practice with the board of directors and the senior management of the commercial bank;

Categories	Capital adequacy	Measures of CBRC
		● to issue a regulatory opinion, which must include the problems identified with the capital management of the commercial bank, the proposed measures for rectification and the opinion on meeting the requirements within the prescribed time limit; ● to require the commercial bank to formulate a practicable capital replenishment plan and the plan for meeting the requirements within the prescribed time limit; ● to increase the frequency of supervision and inspection of the capital adequacy of the commercial bank; and ● to require the commercial bank to take risk-mitigation measures for specific risk areas.
Type III	Capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio all meet the minimum capital requirement, but do not meet capital requirements at other levels.	● to adopt the regulatory measures for Type I and II banks; ● to restrict the commercial bank from distributing dividends and other incomes; ● to restrict the commercial bank from granting any form of incentives to directors and senior management; ● to restrict the commercial bank from making equity investments or repurchasing capital instruments; ● to restrict the commercial bank from incurring major capital expenditure; and ● to require the commercial bank to control the growth of risky assets.
Type IV	Any of capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio fails to reach the minimum capital requirement.	● to adopt the regulatory measures for Type I, II and III banks; ● to require the commercial bank to significantly downsize risky assets; ● to order the commercial bank to suspend all high-risk asset businesses; ● to restrict or prohibit the commercial bank from establishing new institutions or launching new businesses; ● to compulsorily require the commercial bank to write down tier-two capital instruments or convert them into ordinary shares; ● to order the commercial bank to change its directors or senior management or restrict their rights; ● to lawfully take over the commercial bank or procure the institutional reorganization of, or even dissolve, the commercial bank; and

Categories	Capital adequacy	Measures of CBRC
		• to consider other external factors and take other necessary measures in order to solve the problems faced by Type IV commercial banks.

Note: As of December 31, 2016, we were a Grade I bank as shown in the table above.

Introduction of the New Leverage Requirements

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

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

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

Commercial banks are required to regularly report their gearing ratio statements pursuant to the requirements of CBRC and its local offices. Their consolidated gearing ratio statements shall be reported on a semi-annual basis and their unconsolidated gearing ratio statements shall be reported on an annual basis.

For a commercial bank whose gearing ratio is lower than the minimum regulatory requirement, CBRC and its local offices may take the following rectification measures requiring the commercial bank to: (i) supplement its tier-one capital within a specified period; (ii) control the growth of its on- and off-balance sheet assets; and (iii) reduce the size of its on- and off-balance sheet assets. If the commercial bank fails to rectify its non-compliance within the specified period, or its behavior has seriously endangered its sound operation or damaged the legitimate interests of depositors or other clients, CBRC and its local offices may identify the situation and take following regulatory measures pursuant to the *People's Republic of China Banking Supervision and Regulatory Law*: (i) demanding suspension of certain business activities and approval of new businesses; (ii) limit dividend distribution and other income; (iii) suspending approval of opening new branches; (iv) demanding transfer of equity interest held by controlling shareholders or limit exercise of their shareholders' rights; (v) demanding change of directors, supervisors and senior management or limit their rights; and (vi) other measures stipulated by the law. In addition to the above-mentioned measures, CBRC may also impose an administrative penalty upon such commercial bank.

In accordance with *the Administrative Measures on the Leverage Ratio of Commercial banks,* systematically important banks are required to meet the minimum requirements on leverage ratio before April 1, 2015, when the measures became effective, while non-systematically important banks are required to meet such requirements on leverage ratio before the end of 2016. We are a non-systematically important bank, and we have already met the regulatory requirement on leverage ratio of not lower than 4%.

Basel Accords

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

CBRC promulgated and amended the Capital Adequacy Measures on February 23, 2004 and July 3, 2007, respectively. CBRC has advised that the Capital Adequacy Measures is based on Basel I, while also taking into consideration certain aspects of Basel II. In March 2009, China officially joined the Basel Committee and participated in the establishment of international standards for banking supervision, which is conducive to the upgrading of supervision techniques and supervision levels in China's banking industry.

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

and the Questions and Answers Regarding the Capital Supervisory Policy (《資本監管政策問答》). In September 2015, CBRC revised the *Administrative Measures on the Liquidity Risk of Commercial Banks (Trial)* (《商業銀行流動性風險管理辦法（試行）》). In January 2014, the Basel Committee issued the *Leverage Ratio Framework and Disclosure Requirements in the Third Installment of Basel Accords* (《第三版巴塞爾協議槓桿率框架和披露要求》), which revised the international rules in relation to leverage ratio. According to the new rules of leverage ratio by the Basel Committee, in 2015, CBRC revised the *Administrative Measures on the Leverage Ratio of Commercial Banks* which was issued on June 1, 2011, and put forward clearer and stricter requirements for the disclosure of leverage ratio of commercial banks.

LOAN CLASSIFICATION, ALLOWANCES AND WRITE-OFFS

Loan Classification

Commercial banks in the PRC are currently required to classify loans under a five-category loan classification system to estimate the likelihood of full repayment of principal and interest by debtors on time, in accordance with *the Guidelines of Risk-based Classification of Loans* (《貸款風險分類指引》) promulgated by CBRC on July 3, 2007. The five categories are "normal," "special mention," "substandard," "doubtful" and" loss." A loan classified as substandard, doubtful or loss is considered to be non-performing. The primary factors for evaluating the capacity of repayment include the borrower's cash flow, financial condition and non-financial factors may influence the capacity.

Loan Loss Reserve

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

Under *the Guidelines on Bank Loan Loss Allowance* (《銀行貸款損失準備計提指引》) issued by PBoC on April 2, 2002, commercial banks are required to make a general loan loss allowance on a quarterly basis and to have a general allowance of not less than 1% of the total loans outstanding as of the end of the year. The guidelines provide additional requirements on the proportion of specific allowance for each loan category: 2% for special mention loans; 25% for substandard loans; 50% for doubtful loans and 100% for loss loans. Allowance for losses of substandard and doubtful loans may be set aside within a floating range of 20%. Commercial banks may make special allowance in accordance with special risk factors (including risks in association with certain industries and countries), probability of losses and historical experience.

In accordance with *the Administrative Measures for Loan Loss Allowance of Commercial Banks* (《商業銀行貸款損失準備管理辦法》) which was promulgated on July 27, 2011 by CBRC and became effective on January 1, 2012, the adequacy ratio of loan loss allowance of commercial banks is assessed based on its allowance to gross loan ratio and allowance coverage ratio, the benchmarks of which are 2.5% and 150%, respectively. The higher of the two ratios will be taken to be the supervisory standard. The boards of directors of commercial banks are required to assume ultimate responsibility for the management of loan loss allowance. Systematically important banks are required to reach the standard before the end of 2013, and non-systematically important banks are required to reach such standard before the end of 2016. Those failing to reach the standard before the end of 2016 are required to formulate a plan on how to reach such standard and submit the same to CBRC and reach such standard by the end of 2018 at the latest.

CBRC's Supervision of Loan Classification and Loan Loss Allowance

Commercial banks are required to formulate detailed internal procedures that clearly define the responsibilities of each relevant department with respect to loan classification, approval, review and related matters. In addition, commercial banks are required to report to CBRC information regarding loan classification and loan loss allowance on a regular basis via quarterly report and annual report. Based on the review of these reports, CBRC may require commercial banks to explain significant changes in loan classification and loan loss allowance levels, or to carry out further inspections. CBRC may issue risk alerts to a commercial bank and require rectifications to be made accordingly if the commercial bank fails to meet the relevant minimum loan loss allowance standards for consecutive three months. CBRC may take further regulatory actions if the non-compliance lasts for consecutive six months.

Loan Write-offs

Under the regulations issued by CBRC, PBoC and MOF, commercial banks are required to establish a strict audit and approval process to write off loans. In order to be written off, a loan needs to meet the standards set by MOF. Losses realized when writing off loans are deductible for tax purposes, subject to the review and approval of the tax authorities.

Bulk Transfer of Non-performing Assets

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

Allowance and Statutory General Reserve for Impairment Losses

On March 30, 2012, MOF issued the *Administrative Measures for the Provisioning for Reserves of Financial Institutions* (《金融企業準備金計提管理辦法》). The measures became effective on July 1, 2012 and require that, in principle, the general statutory reserve shall be no less than 1.5% of the risk-bearing assets reserve at the balance sheet date. Financial Institutions may choose between an internal model approach and a standardized approach to determine the estimated value of potential risks for the provision of statutory general reserve. Financial institutions that have adopted the standardized approach to calculate the statutory general reserve should temporarily use the following standard risk weightings for credit assets: 1.5% for normal loans, 3% for special mention loans, 30% for substandard loans, 60% for doubtful loans and 100% for loss loans. If the level of general reserve of a financial institution fails to reach 1.5% of the aggregate amount of risk-bearing assets at the balance sheet date, the financial institution is allowed to achieve compliance within a certain period of time not exceeding five years in principle.

OTHER OPERATIONAL AND RISK MANAGEMENT RATIOS

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

The table below sets out ratios of our Bank and its subsidiaries (on a consolidated basis) as of December 31, 2014, 2015 and 2016, calculated in accordance with the required ratios as provided in the *Core Indicators (Trial)* and other relevant regulatory requirements and applicable accounting standards.

Risk Level	Primary indicators	Secondary indicators	Requirement	Our ratios(%) As of December 31, 2014	2015	2016
			(%)			
Risk Level						
Liquidity Risk	Liquidity ratio(1)	RMB and foreign currency	≥25	79.13	74.25	81.12
	Core liabilities ratio(2)		≥60	62.71	51.72	48.27
	Liquidity gap ratio(3)		≥-10	21.43	-2.45	14.36
	Loan-to-deposit ratio(4)		N/A	52.47	57.19	58.03
Credit risk	Non-performing asset ratio(5)		≤4	0.91	1.11	0.90
		Non-performing loan ratio(6)	≤5	1.54	1.80	1.81
	Credit exposure to a single group customer(7)		≤15	9.28	11.78	8.32
		Loan exposure to a single customer(8)	≤10	5.80	5.63	6.29
	Overall credit exposure to related parties(9)		≤50	0.15	11.20	13.71
Market risk	Cumulative foreign currency exposure ratio(10)		≤20	0.19	0.12	0.15
Risk Cushion						
Profitability	Cost-to-income ratio(11)		≤45	30.95	28.37	32.77
	Return on assets(12)		≥0.6	1.30	0.95	0.82
	Return on capital(13)		≥11	18.16	14.65	13.89
Allowance Adequacy						
	Allowance adequacy ratio for asset losses(14)		>100	225.51	N/A(16)	N/A(16)
		Allowance adequacy ratio for loan losses(15)	>100	295.92	N/A(16)	N/A(16)
Capital adequacy	Capital adequacy ratio(17)		≥9.7(18)	14.45	12.76	12.16
		Tier-one capital adequacy ratio	≥7.7(18)	11.17	10.29	9.92
		Core tier-one adequacy ratio	≥6.7(18)	11.16	10.28	9.90

Calculated as follows:

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

(2) Core liabilities ratio = Amount of core liabilities / amount of total liabilities x 100%. Core liabilities refer to the combined amount of time deposit with remaining maturities of three months or longer, issued debt securities and 50% of demand deposits.

(3) Liquidity gap ratio = Liquidity gap / Amount of on- or off-balance sheet assets with maturities of 90 days or less x 100%. Liquidity gap refers to the amount of on- or off-balance sheet assets with maturities of no more than 90 days minus the amount of on- or off-balance sheet liabilities with maturities of no more than 90 days.

(4) Loan-to-deposit ratio = Amount of total loans to customers / Amount of total deposits from customers x 100%. On August 29, 2015, the Standing Committee of the NPC promulgated *the Decision of the Standing Committee of the NPC on Amending the Commercial Bank Laws of The People's Republic of China* (《全國人民代表大會常務委員會關於修改〈中華人民共和國商業銀行法〉的決定》), pursuant to which, effect October 1, 2015, the requirement on commercial banks that the loan-to-deposit ratio may not exceed 75% when applying loans stipulated in the PRC Commercial Banking Law was revoked and relevant provisions on the penalties for non-compliance with the aforementioned loan-to-deposit ratio imposed by the banking regulatory authorities of the State Council were also abolished.
(5) Non-performing asset ratio = Amount of non-performing assets subject to credit risk / Amount of assets subject to credit risk x 100%. Non-performing credit risk assets include non-performing loans and other credit risk assets categorized as non- performing. The Categorization of non-loan credit risk assets is in accordance with relevant CBRC regulations.
(6) Non-performing loan ratio = Amount of non-performing loans / Amount of total loans x 100%. Non-performing loans refer to loans in the substandard, doubtful and loss categories according to PBoC and CBRC's five category loan classification system.
(7) Credit exposure to a single group customer = Total credit granted to the largest group customer / Net capital x 100%. Largest group customer refers to the single group customer granted the highest credit limit at the end of the period.
(8) Loan exposure to a single customer = Total loans to the largest customer / Net capital x 100%. Largest customer refers to the customer with the highest amount of loans outstanding at the end of the period.
(9) Overall credit exposure to related parties = Total granted credit limit to all related parties / Net capital x 100%. Related parties refer to parties defined in *the Administrative Measures on Related-Party Transactions with Insiders and Shareholders of Commercial Banks* (《商業銀行與內部人和股東關聯交易管理辦法》). Total granted credit limit to all related parties refers to total credit limit granted to such parties minus cash deposit guarantees and collateral in the form of bank deposits and Chinese government bonds.
(10) Cumulative foreign currency exposure ratio = Amount of cumulative foreign currency exposure / Net capital x 100%. Cumulative foreign currency exposure refers to exchange rate sensitive foreign currency assets subtracted by exchange rate sensitive foreign currency liabilities.
(11) Cost-to-income ratio = (Operating expenses-business tax and surcharges) / operating income x 100%.
(12) Return on assets = Net profit / average balance of assets x 100%.
(13) Return on capital = Net profit / average balance of shareholders' equity x 100%.
(14) Allowance adequacy ratio for asset losses = Actual amount of allowance for assets subject to credit risk / Required amount of allowance for assets subject to credit risk x 100%.
(15) Allowance adequacy ratio for loan losses = Actual amount of allowance for loans / Required amount of allowance for loans x 100%.
(16) According to the *Notice by CBRC for Off-site Supervision Report 2015* (《中國銀監會關於2015年非現場監管報表的通知》), CBRC has ceased to monitor the allowance adequacy ratio for asset losses and allowance adequacy ratio for loan losses since January 1, 2015.
(17) Since 2013, we have calculated and disclosed the capital adequacy ratios according to the Capital Administrative Measures. Under the Capital Administrative Measures, capital adequacy ratio = (Total capital – corresponding capital deductions) / risk-weighted assets; tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions) / risk-weighted assets; core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions) / risk-weighted assets.
(18) According to the requirements of CBRC, China's commercial banks (except systematically important banks) shall maintain (i) the minimum capital adequacy ratio of 8.9%, 9.3% and 9.7% as of December 31, 2014, 2015 and 2016, respectively; (ii) the minimum tier-one capital adequacy ratio of 6.9%, 7.3% and 7.7% as of December 31, 2014, 2015 and 2016, respectively; and (iii) the minimum core tier-one capital adequacy ratio of 5.9%, 6.3% and 6.7% as of December 31, 2014, 2015 and 2016, respectively.

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

As of December 31, 2015 and December 31, 2016, our core liabilities ratio was 51.72% and 48.27%, respectively, which did not comply to the requirement on core liabilities ratio of the *Core Indicators (Trial)*. This was mainly due to a rapid increase in our interbank liabilities which did not consider as core liabilities under the regulatory requirements as we expanded our assets and liabilities in the financial market through, among others, issuing certificates of interbank deposit since the second half of 2015 in an attempt to diversify our liability structures and promote our revenue growth in response to the interest rate liberalization in the PRC.

The *Core Indicators (Trial)* did not specify any punishment on non-complying to the core indicators. King & Wood Mallesons, our PRC legal advisor, is of the view that each core indicators mentioned therein are used as the references for assessing, monitoring and alerting the risk of commercial banks and should not be directly used as a base of any administrative penalty, subject to any laws, administrative regulations and departmental rules. Pursuant to the *Administrative Measures on the Liquidity Risk of Commercial Banks (Trial)* (《商業銀行流動性風險管理辦法(試行)》) issued by CBRC on January 17, 2014 and amended on September 2, 2015, core liabilities ratio and liquidity gap ratio are no longer treated as regulatory indicators. As a result, failing to comply to the requirement of core liabilities ratio do not certainly lead to any direct or material liquidity risks to us. As a result, the non-compliance of core liabilities ratio of our Bank in the past has not and will not lead to any punishment on us or any material adversely effect on our financial position.

DEPOSIT INSURANCE SCHEME

In accordance with the *Deposit Insurance Regulation* (《存款保險條例》) issued by the State Council on February 17, 2015 and became effective on May 1, 2015, all financial institutions in the PRC which accept deposits (apart from the branches of foreign banks) shall be governed by the new deposit insurance system. Upon the failure of a deposit-taking financial institution, each depositor of such failed deposit-taking financial institution shall be entitled to a maximum coverage of RMB500, 000 on the deposits with such failed financial institution. All eligible deposits within the limit, including the principal and accrued interests denominated in RMB or foreign currencies shall be fully protected.

Deposit-taking financial institutions shall pay insurance premiums, including unit premium and risk premium. The premium structure shall be determined by the deposit insurance institutions authorized by the State Council. The premium is payable every six months. The deposit insurance premiums shall be deposited with PBoC or shall be used to invest in Chinese government bonds, PBoC bills and senior bonds etc.

CORPORATE GOVERNANCE AND INTERNAL CONTROL

Corporate Governance

The *PRC Company Law*, the PRC Commercial Bank Law and other laws, regulations and regulatory documents provided specific requirements for corporate governance. *The Corporate Governance Guidelines* require commercial banks to establish a sound corporate governance system and a clear organizational structure, with management and supervisory powers, functions and responsibilities being clearly split among the board, the supervisory board and the senior management. The guidelines also require commercial banks to abide by the principles of independent operation, effective checks and balances, mutual cooperation and coordinated running, and establish reasonable incentive and restraint mechanisms in order to achieve reasonability and efficiency in decision-making, execution and supervision.

According to the *Guidelines on the Duties of the Board of Directors of Joint Stock Commercial Banks (Trial)* (《股份制商業銀行董事會盡職指引(試行)》), a commercial bank with registered capital exceeding RMB1 billion is required to have at least three independent directors. *The PRC Company Law* and *Guidelines on the Functioning of Supervisory Board of Commercial Banks* (《商業銀行監事會工作指引》) require the proportion of employees representative supervisors and that of external supervisors to be not less than one-third of the supervisory board. In addition, *the Guidelines on Independent Directors and External Supervisors of Joint Stock Commercial Banks* (《股份制商業銀行獨立董事和外部監事制度指引》) require that the board of directors of a commercial bank to have at least two independent directors and the supervisory board at least two external supervisors. *The Measures for Evaluating the Performance of Directors of Commercial Banks (Trial)* (《商業銀行董事履職評價辦法(試行)》) require commercial banks to evaluate the performance of their directors in accordance with applicable laws, regulations and rules. According to *the Supervisory Guidelines on Sound Compensation in Commercial Banks* (《商業銀行穩健薪酬監管指引》), commercial banks are required to establish a compensation mechanism in line with the cultivation of talents and risk control.

Internal Controls

Under the *Internal Control Guidelines for Commercial Banks* (《商業銀行內部控制指引》) issued on July 3, 2007 and revised on September 12, 2014 by CBRC, commercial banks are required to establish internal controls to ensure effective risk management for their business activities. Commercial Banks are also required to appoint a specific department as internal control management department which shall be responsible for formulating overall planning and organizing the implementation, review and evaluation of the internal control system. In addition, an internal audit department shall also be established to monitor internal controls, review the adequacy and effectiveness of internal controls, report to the board regarding any problem discovered during the process of internal audit and provide guidance on rectifications.

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

According to t*he Corporate Governance Guidelines* promulgated by CBRC on July 19, 2013, commercial banks shall establish an accountability system for a sound internal control environment. Under this system, the board of directors and senior management are required to maintain their respective accountability for the effectiveness of internal control and are required to be liable for material losses caused by a breakdown in internal control. Moreover, the supervisory board is required to perform its supervisory obligations by supervising the directors and senior management, and refining the system and rules of internal control. Commercial banks are required to establish an independent department for effectively supervising and evaluating internal control, which reports directly to the board of directors, supervisory board and senior management on the progress of developing the internal control system and its enforcement.

On April 16, 2016, CBRC issued *the Guidelines on Internal Audit of Commercial Banks* (《商業銀行內部審計指引》). Under such Guidelines, commercial banks are required to establish an audit committee of the board of directors with at least three members, a majority of whom must be independent directors and the audit committee shall be, in principle, chaired by an independent director. Commercial banks can have one chief auditor or chief audit officer. For banks without chief audit officer, the chairman of the internal audit department shall concurrently serve as the chief audit officer. Each commercial bank shall also set up an independent internal audit department comprising sufficient numbers of internal auditors who shall, in principle, represent not less than 1% of the total number of employees of the bank. As of December 21, 2016, we had 95 internal audit employees, representing 1.2% of our total number of employees.

Information Disclosure Requirements

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

Related Party Transactions

The Administrative Measures on Related Party Transactions with Insiders and Shareholders of Commercial Banks (《商業銀行與內部人和股東關聯交易管理辦法》) issued by CBRC in April 2004, which provided stringent and detailed requirements on the related party transactions of PRC commercial banks, require PRC commercial banks to adhere to the principles of honesty and fairness in conducting related party transactions. PRC commercial banks are not allowed to grant unsecured loans to related parties. Under PRC laws and regulations, related party transactions of commercial banks are required to be based on commercial principles and on terms no more favorable than similar transactions with non-related parties. These measures also set out detailed provisions on the definition of a related party, the form and content of a related party transaction as well as the procedures and principles which must be followed for related party transactions.

RISK MANAGEMENT

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

Operational Risk Management

On March 22, 2005, CBRC issued *the Circular on Strengthening Control of Operational Risk* (《關於加大防範操作風險工作力度的通知》) to further strengthen PRC commercial banks' ability to identify, manage and control operational risks. According to the circular, commercial banks are required to develop specific internal policies and procedures for the management and control of operational risks. The internal audit department and business operation departments of banks shall carry out independent and special audit and review on their business operations from time to time, and conduct ongoing audit and review on business areas with higher operational risks. In addition, head offices of commercial banks shall assess the implementation and compliance of their internal policies and procedures with respect to the operational risks.

The circular sets out detailed requirements relating to, among other things: establishing a system under which officers at junior level responsible for business operations are required to rotate on a regular basis and have compulsory leave; establishing a system to encourage employees to fully comply with applicable regulations and internal rules and policies; improving the regular checking of account balances between PRC commercial banks and their customers; improving the timely checking of the banks' internal accounting; segregating persons responsible for bookkeeping from those responsible for account reconciliation; and establishing a strict system for the management, keeping and disposal of chops, specimen signatures and evidential vouchers.

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

Market Risk Management

On December 29, 2004, CBRC promulgated *the Guidelines on the Market Risk Management of Commercial Banks* (《商業銀行市場風險管理指引》) with effect from March 1, 2005 to strengthen the market risk management of PRC commercial banks. These guidelines address (among other things): (i) the responsibilities of the board of directors and the senior management in supervising market risk management; (ii) the policies and procedures for market risk management; (iii) the detection, quantification, monitoring and control of market risk; (iv) the responsibilities for internal control and conducting external audits; and (v) appropriate capital allocation mechanism for market risks. Under these guidelines, commercial banks are required to formulate official policies and procedures in writing to manage the market risks.

In addition, the Capital Administrative Measures (《資本管理辦法》) provide the basic criteria, approval procedure and other requirements that commercial banks shall comply with when adopting the internal model to measure their market risk capital.

Compliance Risk Management

On October 20, 2006, CBRC promulgated *the Guidelines on Compliance Risk Management of Commercial Banks* (《商業銀行合規風險管理指引》) which clarified the responsibilities of the board of directors, the supervisory board and the senior management of a PRC commercial bank with respect to compliance risk management, standardized the organizational structure for compliance risk management and set out the regulatory mechanisms for a bank's risk management.

Liquidity Risk Management

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

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

On August 29, 2015, the Standing Committee of the National People's Congress promulgated the *Decision on Amending the* PRC Commercial Bank Law (《關於修改《中華人民共和國商業銀行法》的決定》). According to such decision, with effect from October 1, 2015, the requirement on commercial banks that the loan-to-deposit ratio shall not exceed 75% when applying loans was revoked and relevant provisions on the penalties for non-compliance with the aforementioned loan-to-deposit ratio imposed by the banking regulatory authorities of the State Council were also abolished.

On September 2, 2015, CBRC amended the *Administrative Measures on the Liquidity Risk of Commercial Banks (Trial)*, which provide that the loan-to-deposit ratio shall cease to be the regulatory indicator of liquidity risk and the requirement that the loan-to-deposit ratio must not exceed 75% shall be cancelled. The revised measures came into effect on October 1, 2015.

IT Risk Management

On March 3, 2009, CBRC issued the *Guidelines on IT Risk Management in Commercial Banks* (《商業銀行信息科技風險管理指引》). The guidelines have explicit requirements on IT governance, IT risk management, information security, information system development, test and maintenance, IT operation, business continuity management, outsourcing, internal and external audit. It also provides that the objectives of IT risk management shall be the identification, measurement, monitoring and control IT risks of commercial banks by setting up effective measures to enhance safe, continual and steady operation of commercial banks, to facilitate business innovation, to promote the use of information technology and to improve their core competitiveness and sustainable development.

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

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

Management of Other Risks

In addition to the above, CBRC has issued guidelines in relation to several other risks, including the *Guidelines on Reputational Risk Management of Commercial Banks* (《商業銀行聲譽風險管理指引》), *the Guidelines on Bank Account Interest Risk Management of Commercial Banks* (《商業銀行銀行賬戶利率風險管理指引》) and the *Guidelines on Country Risk Management of Banking Financial Institutions* (《銀行業金融機構國別風險管理指引》), all in an effort to strengthen commercial banks' risk management capacity in relevant fields.

On September 11, 2014, the General Office of CBRC, General Office of MOF and General Office of PBoC jointly issued the *Notice on Issues Concerning Strengthening Management of Deposit Deviation of Commercial Banks* (《關於加強商業銀行存款偏離度管理有關事項的通知》), pursuant to which a deposit deviation indicator is set up to prevent banks from "scrambling to meet regulatory deposit level." Deposit deviation ratios at the end of each month shall not exceed 3%. The deposit deviation ratio at the end of month = (each deposit on the last day of the end of month – average daily deposit of the month) / average daily deposit of the month x 100%.

Supervisory Rating System

Pursuant to the *Internal Guidelines on Supervisory Ratings for Commercial Banks (Trial)* (《商業銀行監管評級內部指引(試行)》) promulgated by CBRC on December 30, 2005 and became effective on January 1, 2006, all the PRC commercial banks are subject to evaluation by CBRC based on a trial supervisory rating system. Under such system, the capital adequacy ratio, asset quality, management quality, profitability, liquidity and exposure to market risk of joint-stock commercial banks are evaluated and scored by CBRC on a continuous basis. Each bank is classified into one of the six supervisory rating categories based on the scores. The results of ratings will serve as the basis for the regulatory authorities to implement their classified supervision and supervisory measures.

OWNERSHIP AND SHAREHOLDER RESTRICTIONS

Regulations on Equity Investment in Banks

According to the *Measures of CBRC for the Implementation of Administrative Licensing Matters Concerning Rural Small and Medium Financial Institutions* (中國銀監會農村中小金融機構行政許可事項實施辦法) promulgated by CBRC on June 27, 2008 and amended on June 5, 2015, an application of a rural commercial bank for modifying the shareholders that hold 10% or more of its total amount of capital or shares, or an application of an overseas financial institution for making investments through purchase of shares shall be handled and decided by local offices of CBRC or their sub-divisions and then reported to CBRC. An application of a rural commercial bank for modifying the shareholders that hold more than 5% but less than 10% of its total amount of capital or shares shall be handled and decided by the local offices of CBRC or their sub-divisions. An application of a rural commercial bank for modifying the shareholders that hold more than 1% but less than 5% of its total amount of capital or shares shall be reported to the local offices of CBRC or their sub-divisions.

According to the Measures for *the Administration of the Investment and Shareholding in Chinese-funded Financial Institutions by Foreign Financial Institutions* (《境外金融機構投資入股中資金融機構管理辦法》), foreign financial institutions fulfilling certain conditions may invest in or hold shares of PRC commercial banks upon approval of CBRC. However, no single foreign financial institution may own 20% or more of the equity interest of such a bank. Moreover, if foreign investment in aggregate exceeds 25% of the total equity interest in a non-listed PRC commercial bank, such bank will be regulated as a foreign-invested bank. Listed PRC commercial banks are regulated as PRC banks even if foreign investment in aggregate exceeds 25% of their total equity interest.

Restrictions on Shareholders

The *Corporate Governance Guidelines* impose additional requirements on shareholders of commercial banks. For example, shareholders, especially substantial shareholders, are required to support the capital planning formulated by the board of directors of the commercial bank so that the capital of the bank can meet the regulatory requirements on an on-going basis. If a commercial bank fails to meet the regulatory requirements, it is required to develop a capital replenishment plan, including increasing core capital, to meet the regulatory capital adequacy ratio. Under such circumstances, substantial shareholders shall not obstruct the capital injection by other shareholders or the participation of new qualified shareholders. If shareholders of a PRC commercial bank fail to repay outstanding loans when due, their voting rights will be restricted for the period during which the relevant loan is overdue.

In addition, the PRC Company Law and relevant CBRC rules and regulations impose certain restrictions on the ability of a commercial bank's shareholders to pledge their shares. For example, a commercial bank may not accept its own shares as collateral. According to *the Corporate Governance Guidelines*: (i) any shareholder of a commercial bank must give prior notice to the board of directors of the bank if he or she or it wishes to pledge his or her or its shares as collateral; and (ii) where the balance of loans extended by a commercial bank to its shareholder exceeds the audited net value of his or her or its equity for the preceding year, the shareholder cannot use his or her or its stake in the bank as pledge. In November 2013, CBRC issued the *Notice on Enhanced Management of Pledge of Equity Interest in Commercial Banks* (《中國銀監會關於加強商業銀行股權質押管理的通知》) (the "**Notic**e"), pursuant to which commercial banks are required to clearly stipulate the following matters in their articles of associations in addition to those as stipulated in the foresaid Corporate Governance Guidelines: (i) where a shareholder, who has representation on the board of directors or the board of supervisors, or directly, indirectly or jointly holds or controls more than 2% of shares capital or voting rights in the bank pledges his or her or its equity interests in the bank, he or she or it shall make a filing to the board of directors of the bank prior to the pledge. The filing shall state the basic information of the pledge, including the reasons for the pledge, the number of shares involved, the term of pledge and the particulars of the pledgees. Where the board of directors considers the pledge to be materially adverse to the stability of the bank's shareholding structure, the corporate governance as well as the control of risk and connected transactions, the filing shall not be accepted. The director(s) nominated by a shareholder proposing to pledge his or her or its shares in the bank shall abstain from voting at the meeting of the board of directors at which such proposal is considered; (ii) upon the registration of pledge of equity interests, the shareholders involved shall provide the bank with the relevant information in relation to the pledge of equity interests in a timely manner, so as to facilitate the bank's risk management and information disclosure compliance; and (iii) where a shareholder pledges 50% or more of his or her or its equity interests in the bank, the voting rights of such shareholder at the shareholders' general meetings, as well as the voting rights of the director(s) designated by such shareholder at board meetings, shall be subject to restrictions.

The Notice provides that if commercial banks are unable to satisfy the regulatory requirements, the PRC regulatory authorities may request such commercial banks to formulate rectification plans and may take corresponding regulatory and administrative measures if necessary. However, the Notice has not specifically set out the details of relevant regulatory and administrative measures.

Our currently effective Articles of Association stipulates the voting restriction provisions in accordance with the Notice, which was approved by CBRC Guangdong Office and became effective in July 2014.

The time difference between the promulgation of the Notice in November 2013 and the effectiveness of our amended Articles of Association in July 2014 is primarily due to the time required for customary procedures to effect amendment to our Articles of Association. Relevant procedures include the following: (a) after the internal discussion regarding the content of the Notice and actions to be taken by our Bank to comply with the Notice, our Bank convened a meeting of Board of Directors on April 9, 2014 to resolve to amend our Articles of Association as a result of the Notice, (b) after the meeting of the Board of Directors in April 2014, our Bank further convened the annual general meeting of Shareholders on April 29, 2014 to approve our amended Articles of Association, and (c) after our amended Articles of Association were approved by the Shareholders, our Bank submitted the amended Articles of Association to CBRC Guangdong Office for approval, which were approved by CBRC Guangdong Office on July 17, 2014. The Notice did not impose any time limit on effecting the amendment to the Articles of Association to comply with the requirements in the Notice. Based on the foregoing, our PRC legal advisor, King & Wood Mallesons, is of the view that we did not violate the Notice for the time difference between the promulgation of the Notice in November 2013 and the effectiveness of our amended Articles of Association in July 2014.

If a Shareholder has pledged 50% or more of its Shares, we will restrict all of the voting rights of such Shareholder in the general meetings of the Shareholders and all of the voting rights of the Director(s) appointed by such Shareholder in the Board meetings, respectively.

Anti-money Laundering Regulation

The *PRC Anti-Money Laundering Law* (《中華人民共和國反洗錢法》), which became effective on January 1, 2007, sets out the responsibilities of the relevant financial regulatory authorities regarding anti-money laundering, including the formulation of the anti-money laundering rules and regulations for financial institutions. In accordance with the *Anti-Money Laundering Regulations for Financial Institution* (《金融機構反洗錢規定》), PRC commercial banks are required to establish a specialized department or designate an internal department to implement their anti-money laundering procedures. In accordance with the *Administrative Measures for the Financial Institutions' Report of Large-Sum Transactions and Doubtful Transactions* (《金融機構大額交易和可疑交易報告管理辦法》), upon the detection of any suspicious transactions or transactions involving large amounts, commercial banks are required to report the relevant transactions to PBoC or the State Administration of Foreign Exchange (where applicable). Where necessary and pursuant to appropriate judicial proceedings, commercial banks are required to cooperate with government authorities in preventing money laundering activities and in freezing assets. Furthermore, in accordance with the *Measures on the Administration of Client Identity Identification and Data and Transaction Recording of Financial Institutions* (《金融機構客戶身份識別和客戶身份資料及交易紀錄保存管理辦法》), commercial banks are required to set up a system to record the identities of all customers and the information relating to their deposit, settlement and other transactions in relevant banks. PBoC supervises and conducts on-site examinations of commercial banks' compliance with the anti-money laundering laws and regulations, and may impose penalties for any violations thereof in accordance with the PRC Anti-Money Laundering Law.

In accordance with the *Measures for the Supervision and Administration of the Anti-money Laundering Operations by Financial Institutions (Trial)* (《金融機構反洗錢監督管理辦法(試行)》) which was promulgated by PBoC on November 15, 2014, PBoC is required to establish a regular anti-money laundering information reporting system for financial institutions and financial institutions are required to report anti-money laundering work to PBoC and actively cooperate with PBoC and its branches in supervisory inspections.

OTHER REQUIREMENTS

Use of Funds

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

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

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

Periodic Reporting System

In accordance with the *Notice on the Official Operation of Off-site Regulatory Information System in 2007* (《關於非現場監管信息系統2007年正式運行的通知》) issued by CBRC, rural commercial banks are required to submit relevant statements to the banking regulatory authorities on a regular basis, including basic financial information, credit risk, liquidity risk, capital adequacy ratio and such other information as required under such notice. Statements including the balance sheet, the checklist of liquidity ratio and other similar information are required to be submitted on a monthly basis, the statement of financial derivative instrument business, the income statement and other similar information on a quarterly basis, the interest rate re-pricing and risk table on a semi-annual basis and the statement of profit distribution and the table of loan quality migration and other similar information on an annual basis.

Pursuant to the *Guidelines on the Management and Regulation of Consolidated Financial Statements of Commercial Banks* (《商業銀行併表管理與監管指引》) promulgated by CBRC, the scope of account consolidation of commercial banks shall be determined in accordance with the prevailing PRC accounting standards for enterprises, while the scope of capital consolidation shall be determined in accordance with capital regulations and other relevant regulatory requirements.

Pursuant to the Capital Administrative Measures, when calculating the consolidated capital adequacy ratio, a commercial bank shall consolidate the following domestic and overseas financial institution investees: (i) a financial institution investee in which the commercial bank directly or indirectly holds more than 50% of voting rights; (ii) a financial institution investee in which the commercial bank holds 50% or less of voting rights but which falls within any of the following circumstances: the commercial bank holds more than 50% of voting rights in such financial institution in accordance with an agreement with other investors; the commercial bank has the power, as vested by the articles of association or any agreement, to decide the financial and operating policies of such financial institution; the commercial bank has the power to appoint or remove any members of the board of directors or a similar power body of such financial institution; or the commercial bank holds a majority of voting rights within the board of directors or any other similar power body of such financial institution investee; and (iii) a financial institution investee which is actually controlled by the commercial bank as proved by other evidences. “Control” means that a company is able to decide the financial and operating policies of another company and gain profits from the business operations of the latter.

REGULATION AND SHAREHOLDER’S APPROVALS

We have obtained our shareholder’s approval for the proposed Listing. See Appendix VII—“Statutory and General Information—1. Further Information about Our Bank—D. Resolutions of Our Shareholders.”

We have also obtained approvals from CBRC Guangdong Office and CSRC for the Global Offering and the application of the Listing of our H Shares on the Hong Kong Stock Exchange on December 23, 2016 and March 10, 2017 respectively.

HISTORY

Our history can be traced back to the first rural credit cooperative in Guangzhou established in 1952. In 1996, rural credit cooperatives officially became independent of the management of the Agricultural Bank of China and in 1998, Guangzhou Rural Credit Cooperative Union (廣州市農村信用合作社聯合社) was established to manage the rural credit cooperatives in Guangzhou.

In 2006, with the approval of CBRC, Guangzhou Rural Credit Cooperative Union, 14 rural credit cooperatives, and 10 rural credit cooperative unions at district and county level in Guangzhou established Guangzhou Rural Credit Cooperative (廣州市農村信用合作聯社) upon completion of the corporate reform into a unified legal person. Guangzhou Rural Credit Cooperative was registered at the Administration for Industry and Commerce of Guangzhou and established on October 27, 2006.

In July 2009, with the approval of the Guangdong Provincial People's Government, Guangzhou Rural Credit Cooperative underwent restructuring and, with approved eligible members of Guangzhou Rural Credit Cooperative and other share subscribers as promoters (i.e., 727 corporate shareholders and 28,936 individual shareholders), Guangzhou Rural Commercial Bank Co., Ltd. (廣州農村商業銀行股份有限公司) was incorporated. With the approval of CBRC, our Bank completed its registration as a joint stock limited company at the Administration for Industry and Commerce of Guangzhou on December 9, 2009, with our Head Office in Guangzhou.

Key milestones in our history are summarized as follows.

Year	Event
November 1952	The first rural credit cooperative in Guangzhou was established.
June 1998	Guangzhou Rural Credit Cooperative Union was established.
October 2006	Guangzhou Rural Credit Cooperative was established upon completion of the corporate reform into a unified legal person.
December 2009	Guangzhou Rural Credit Cooperative was restructured and Guangzhou Rural Commercial Bank Co., Ltd. was incorporated.
June 2010	To meet the financing needs of small and micro customers, our Bank was the first commercial bank in Guangzhou to cooperate with IPC GmbH to introduce its internationally world-leading micro finance technology.
August 2010	Huaibin Zhujiang County Bank Co., Ltd. (淮濱珠江村鎮銀行股份有限公司) and Huangchuan Zhujiang County Bank Co., Ltd. (潢川珠江村鎮銀行股份有限公司), being the first batch of county banks established by our Bank as one of the promoters, were officially opened(1).
January 2011	Our Bank was approved to commence Renminbi credit card business and we launched our "Sun Credit Card" in the same year.

Year	Event
March 2011	We established our Micro and Small Finance Business Department (currently known as "Small and Micro Business Department") and set up our direct operation team for micro and small finance business.
December 2013	Heyuan Dongyuan Sub-branch, being the first sub-branch of our Bank outside Guangzhou, was officially opened(2).
January 2014	Our Bank was qualified to commence securities investment fund custody business, being the first rural commercial bank in China to obtain such qualification.
June 2014	Our Bank was qualified to issue interbank certificates of deposits, and successfully issued our first tranche of interbank certificates of deposits on the China Foreign Exchange Trading System in September 2014.
August 2014	Our Neo Sun Foundation was established, which builds up our good corporate culture of contributing to the society and taking up social responsibilities.
December 2014	Zhujiang Financial Leasing Co., Ltd. (珠江金融租賃有限公司), our wholly-owned subsidiary, was officially opened. It is the first financial leasing company controlled by a rural commercial bank in Guangdong Province.
	Qingyuan Branch, being the first branch of our Bank outside Guangzhou, was officially opened.
March 2015	Our Bank was qualified to commence credit asset securitization business, being one of the first rural commercial banks to obtain such qualification since the reform of the filing system of CBRC.
August 2015	Our Bank was among "Top 500 Chinese Enterprises in 2015" jointly announced by China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家協會) for the first time. We were the only rural commercial bank on the list and were ranked 10th among the enterprises on the list in terms of profit margin.
December 2015	Our Bank successfully launched an SME credit asset securitization product.
	Our total assets exceeded RMB500 billion during the year, symbolizing our evolution into a medium commercial bank.

Year	Event
June 2016	Our Bank was among "Top 1000 World Banks 2016" according to *The Banker*. We were ranked 203rd among commercial banks in the World in terms of tier-one capital and had been on the list for seven consecutive years.
August 2016	Our Bank was among "Top 500 Chinese Enterprises in 2016" jointly announced by China Enterprise Confederation and China Enterprise Directors Association. We were ranked 441st in terms of operating income, up 32 positions as compared to 2015. We are the only rural commercial bank being selected as one of the "Top 500 Chinese Enterprises" for two consecutive years.

(1) In 2012, our Bank established its subsidiary, Xinyang Zhujiang County Bank Co., Ltd. (信陽珠江村鎮銀行股份有限公司), which subsequently absorbed these two county banks.

(2) Heyuan Dongyuan Sub-branch was upgraded to Heyuan Branch in September 2016.

CHANGES IN REGISTERED CAPITAL

Our Bank was incorporated in December 2009 with registered capital of RMB6,873,418,539, among which, the members of Guangzhou Rural Credit Cooperative contributed RMB4,023,418,539 in the form of verified and appraised net assets of such rural credit cooperative, and share subscribers contributed RMB2,850,000,000 in cash. Our promoters comprised 727 corporate shareholders and 28,936 individual shareholders. The major change in our registered capital since our incorporation is summarized as follows:

In 2011, our Bank issued 1,280,000,000 new Shares to eligible shareholders by way of placing at the price of RMB3.5 per share in cash. After the placing, our registered capital was increased from RMB6,873,418,539 to RMB8,153,418,539. Registration of the said change was completed with the Administration for Industry and Commerce of Guangzhou on September 15, 2011.

As of the Latest Practicable Date, our Bank's registered capital was RMB8,153,418,539.

ISSUANCE OF BONDS

Issuance of Subordinated Bonds

In June 2012, to replenish our capital, with the approval from CBRC and PBoC, our Bank issued 10-year-term subordinated bonds with an aggregate principal amount of RMB3.5 billion, at a fixed rate of 5.99% per annum, payable on an annual basis. Subject to relevant regulatory approval, our Bank may redeem these bonds at face value in full on a one-off basis by exercising the redemption right on the last day of the fifth interest-bearing year of such bonds. Our Bank obtained the relevant regulatory approval in May 2017 to exercise the redemption right on June 29, 2017.

Issuance of Tier-Two Capital Bonds

In September 2014, to replenish our tier-two capital, with the approval from CBRC and PBoC, we issued 10-year-term tier-two capital bonds with an aggregate principal amount of RMB4.1 billion, at a fixed rate of 6.26% per annum, payable on an annual basis. Subject to CBRC's approval, our Bank may redeem these bonds at face value in full or in part on a one-off basis by exercising the redemption right on the last day of the fifth interest-bearing year of such bonds.

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding Structure

As of the Latest Practicable Date, our Bank had 720 corporate Shareholders and 28,448 individual Shareholders, holding in aggregate approximately 70.53% and 29.47% of our Shares, respectively.

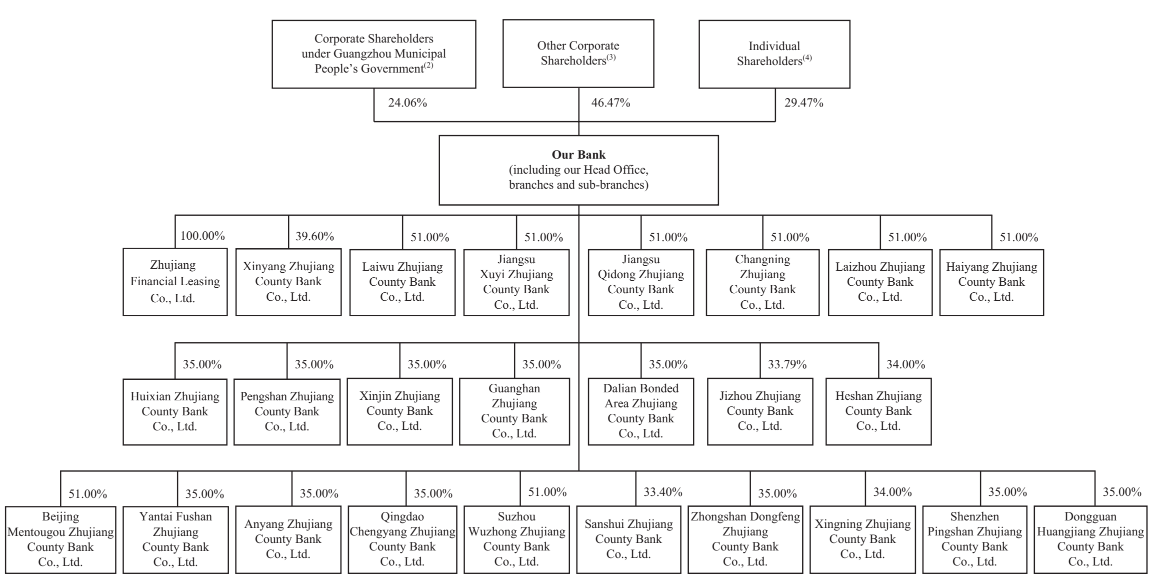
As of the Latest Practicable Date, none of our Shareholders directly held 5% or more of our Shares and there are two Shareholders, namely Guangzhou Municipal People's Government and Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), indirectly held 5% or more of our Shares. Guangzhou Finance Holdings Group Co., Ltd. is directly and wholly-owned by Guangzhou Municipal People's Government.

As of the Latest Practicable Date, Guangzhou Municipal People's Government, through 14 corporate Shareholders it controls, indirectly held in aggregate 24.06% of our Shares and was our single largest group of shareholders, among which, Guangzhou Finance Holdings Group Co., Ltd. directly and indirectly through its wholly-owned subsidiary Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司) held in aggregate 5.15% of our Shares. Save for the above, the 14 corporate Shareholders are independent from each other. Our single largest group of shareholders remains unchanged since January 1, 2016 up until the time immediately before the Global Offering becomes unconditional.

As of the Latest Practicable Date, we were unable to verify the shareholdings of 36 corporate Shareholders and 4,462 individual Shareholders, holding in aggregate approximately 2.30% of our Shares. The existence of such Shareholders has no material adverse impact on our shareholding structure, corporate governance (such as convening general meetings and paying dividends), business operation and the Global Offering.

Immediately before the Global Offering

The chart below sets forth the shareholding structure of our Bank and our subsidiaries as of the Latest Practicable Date and immediately before the Global Offering.



Notes:

(1) Where the percentage of shareholding of our Bank in a subsidiary is different from the percentage of voting rights, the percentage of shareholding is shown in the above structure chart. The discrepancy between the sum of the percentages listed in the above structure chart and the notes herein are due to rounding.

(2) Guangzhou Municipal People's Government indirectly holds 24.06% of our Shares. Guangzhou Municipal People's Government indirectly holds 4.91%, 4.53%, 4.29%, 4.16%, 2.57%, 1.84%, 0.61%, 0.45% 0.25%, 0.12%, 0.12%, 0.09%, 0.12% and 0.004% of our Shares through its controlled corporations Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司), Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司), Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), Guangzhou Department Stores Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司), Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司), Guangzhou Jinjun Investments Holding Co., Ltd. (廣州金駿投資控股有限公司), Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司), Guangzhou Textiles Industry & Trade Holdings Ltd. (廣州紡織工貿企業集團有限公司), Guangzhou Hanlin International Technology Park Co., Ltd. (廣州翰林國際科技創業園有限公司), Guangzhou Port Group Co., Ltd. (廣州港集團有限公司), Guangzhou Development District Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司) and Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司), respectively. Guangzhou Finance Holdings Group Co., Ltd., directly and through its subsidiary Guangzhou Guangyong State-owned Assets Management Co., Ltd., holds 5.15% of our Shares.

(3) The other 706 corporate Shareholders in aggregate hold 46.47% of our total issued Shares. The highest shareholding of these corporate Shareholders does not exceed 3.07%.

(4) The 28,448 individual Shareholders in aggregate hold 29.47% of our total issued Shares. The highest shareholding of these individual Shareholders does not exceed 0.14%.

(5) As of December 31, 2016, we had, excluding the outlets of our Zhujiang County Banks, 625 outlets, of which 618 were located in Guangzhou, five branches and two sub-branches outside Guangzhou, locating in the cities of Foshan, Qingyuan, Heyuan, Zhaoqing, and Zhuhai in Guangdong Province. As of the same date, our Zhujiang County Banks had a total of 142 outlets.

(6) All our subsidiaries were established in China by our Bank as one of the promoters and are located in Guangdong Province and eight other provinces and municipality in China. As of the Latest Practicable Date, our subsidiaries are summarized as follows:

Name	Date of Incorporation	Place of Registration	Main Business	Registered capital (RMB, million)	Our Shareholding Percentage	Our Voting Right Percentage	Other Shareholders and Their Shareholding Percentages	
Zhujiang Financial Leasing Co., Ltd.	December 11, 2014	Guangzhou, Guangdong	Provide monetary and financial services nationwide	1000	100%	100%		—
Xinyang Zhujiang County Bank Co., Ltd.	March 21, 2012	Xinyang, Henan	Undertake business approved by CBRC in accordance with applicable laws, administrative regulations and other requirements	414.2	39.60%	54.13%#	Henan Xinyang Maojian Group Co., Ltd.	4.83%
							38 other individual shareholders each holding 0.02% to 0.48% shares and three other corporate shareholders each holding 2.41% to 2.90% shares*	14.53%
							11 other individual shareholders each holding 0.3% to 1.21% shares and 23 other corporate shareholders each holding 0.61% to 2.86% shares	41.04%
Laiwu Zhujiang County Bank Co., Ltd.	March 29, 2011	Laiwu, Shandong	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting	60	51%	51%	Shandong Jinsui Construction Co., Ltd.	10%
							Laiwu Yitong Driver Training Co., Ltd.	10%
							Laiwu Urban Services Department	5%
							Laiwu Xingzhan Industry & Trade Co., Ltd.	5%
							Shandong Laiwu Yinhua Construction Machinery Co., Ltd.	5%
							Li Haiping	4%
							Laiwu Hongli Materials Co., Ltd.	3%
							Laiwu Wanqiang Trade Co., Ltd.	3%
							Two other corporate shareholders each holding 2% shares	4%

Name	Date of Incorporation	Place of Registration	Main Business	Registered capital (RMB, million)	Our Shareholding Percentage	Our Voting Right Percentage	Other Shareholders and Their Shareholding Percentages	
Jiangsu Xuyi Zhujiang County Bank Co., Ltd.	July 1, 2011	Huai'an, Jiangsu	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting	50	51%	51%	Xuyi Changzhihai Plastics Co., Ltd.	8%
							He Fang	4%
							Li Jialun	4%
							Jiang Tiangi	4%
							Chen Yuqin	3.6%
							Wang Xin	3.1%
							Yang Xurong	3%
							Xin Jing	3%
							Other 9 individual shareholders each holding 0.5% to 2.4% shares	16.3%
Jiangsu Qidong Zhujiang County Bank Co., Ltd.	June 29, 2011	Qidong Jiangsu	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting	100	51%	51%	Qidong Kailai Real Estate Co., Ltd.	10%
							Qidong Huitong Hardware & Plastics Co., Ltd.	9.5%
							Feng Yubing	7.5%
							Xiong Yanling	7.5%
							Gao Fei	6%
							Jiang Liming	3%
							Lu Weitao	3%
							One other individual shareholder	2.5%
Changning Zhujiang County Bank Co., Ltd.	August 2, 2011	Changning, Hunan	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting	50	51%	51%	Changning Urban and Rural Construction Investment Co., Ltd.	10%
							Changning Friendship Clothing Co., Ltd.	9.8%
							Hunan Zhongke Yuanda Industry & Trade Co., Ltd.	9%
							Hunan Hongxin Building Materials Co., Ltd.	7.2%
							Changning Xianghui Trade Co., Ltd.	4%
							Xiangtan Nachuan Industrial Co., Ltd.	4%
							Hunan Shuikoushan Hongxing Chemical Co., Ltd.	3%
							One other individual shareholder	2%
Laizhou Zhujiang County Bank Co., Ltd.	November 30, 2011	Laizhou, Shandong	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting	80	51%	51%	Laizhou Jinrunjia Import & Export Co., Ltd.	9%
							Shandong Laizhou Arts & Crafts Group Co., Ltd.	8%
							Shandong Lugong Machinery Co., Ltd.	8%
							Laizhou Shenglong Real Estate Development Co., Ltd.	8%
							Laizhou Quanfuyuan Mining Co., Ltd.	6%
							Shandong Huantai Heavy Industrial Machinery Co., Ltd.	5%
							Laizhou Defeng Machinery Manufacturing Co., Ltd.	5%

Name	Date of Incorporation	Place of Registration	Main Business	Registered capital (RMB, million)	Our Shareholding Percentage	Our Voting Right Percentage	Other Shareholders and Their Shareholding Percentages	
Haiyang Zhujiang County Bank Co., Ltd.	December 1, 2011	Haiyang, Shandong	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting	70	51%	51%	Haiyang Shenghai Financing Guarantee Co., Ltd.	10%
							Haiyang Zhongkai Real Estate Development Co., Ltd.	9%
							Haiyang Caigao Properties Co., Ltd.	9%
							Yantai Zhongsheng Properties Co., Ltd.	9%
							Haiyang Jinyuan Enterprise Development Co., Ltd.	6%
							Haiyang Zhencheng Home Textiles Co., Ltd.	6%
Huixian Zhujiang County Bank Co., Ltd.	January 27, 2011	Huixian, Henan	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting	60	35%	51%#	Chunjiang Group Co., Ltd.	10%
							Ge Li*	10%
							Xinxiang Taihang Cement Grinding Co., Ltd.	8%
							Guo Xiujian	8%
							Guangzhou Jianghe Real Estate Development Co., Ltd.*	6%
							Huixian Tianyi Services Co., Ltd.	3.33%
							Zhang He	3.33%
							Zhu Xinhua	3.33%
							11 other individual shareholders each holding 0.5% to 1.67% shares and one other corporate shareholder holding 1.5% shares	13.01%
Pengshan Zhujiang County Bank Co., Ltd.	April 20, 2011	Meishan, Sichuan	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting	50	35%	51%#	Meishan Pengshan District Transportation Construction and Investment Engineering Co., Ltd.	10%
							Lai Xiaotang	10%
							Sichuan Anxin Financing Guarantee Management Co., Ltd.	10%
							Sichuan Huaxi Dedun Plastic Tube Co., Ltd.	10%
							Guangzhou Zhisheng Guanmei Furniture Co., Ltd.*	10%
							Renshou Juyuan Vehicle Co., Ltd.	9%
							Foshan Huayin Group Co., Ltd.*	6%
Xinjin Zhujiang County Bank Co., Ltd.	April 25, 2011	Chengdu, Sichuan	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting	100	35%	53%#	Chengdu Xinjin State-owned Assets Investment and Operation Co., Ltd.	10%
							Xinzhu Investment Group Co., Ltd.	9%
							Sichuan Anxin Financing Guarantee Management Co., Ltd.	8.5%
							Chengdu Minsheng Food Group Co., Ltd.	8.5%
							Sichuan Jinjin Copper Co., Ltd.	8%
							Jinjiang Yatai Alcohol Trade Co., Ltd.*	6%
							Foshan Huayin Group Co., Ltd.*	6%
							Jiangmen Xinhui Taisheng Quarry Co., Ltd.*	6%
							Four other individual shareholders each holding 0.5% to 1% shares	3%

Name	Date of Incorporation	Place of Registration	Main Business	Registered capital (RMB, million)	Our Shareholding Percentage	Our Voting Right Percentage	Other Shareholders and Their Shareholding Percentages	
Guanghan Zhujiang County Bank Co., Ltd.	April 29, 2011	Guanghan, Sichuan	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting	100	35%	51%#	Fujian Fusheng Group Co., Ltd.*	10%
							Guanghan Jinda Tunnel Machinery Co., Ltd.	10%
							Chengdu Kexu Electronics Co., Ltd.	10%
							Sichuan Youwo Investment Co., Ltd.	10%
							Guangzhou Chuangxing Clothing Group Co., Ltd.*	6%
							Guanghan Tap Water Company	5.5%
							Sichuan Anxin Financing Guarantee Management Co., Ltd.	5%
							Guanghan Security Services Co., Ltd.	4.5%
							Sichuan Huaqiang Packaging Industry Co., Ltd.	4%
Dalian Bonded Area Zhujiang County Bank Co., Ltd.	July 20, 2011	Dalian Bonded Area, Liaoning	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting	100	35%	56%#	Liaoning Baocheng Credit Guarantee Co., Ltd.	10%
							Dalian Zhaotun Chengda Food Co., Ltd.	10%
							Dalian Ao'nan Housing Development Co., Ltd.	10%
							Guangzhou Shunxing Quarry Co., Ltd.*	10%
							Sun Rongfan	9%
							Guangzhou Conghua Precision Sheet Metal Manufacturing Co., Ltd.*	8%
							Guangdong Girdear Fashion Co., Ltd.*	3%
							Foshan Huayin Group Co., Ltd.	3%
							One other individual shareholder	2%
Jizhou Zhujiang County Bank Co., Ltd.	September 19, 2011	Ji'an, Jiangxi	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting	87.82	33.79%	57.18%#	Jiangmen Xinhui Taisheng Quarry Co., Ltd.*	9.11%
							Chen Weijian	9.11%
							Zhang Shuxiong	9.11%
							Zeng Xiaoqing	9.11%
							Shenzhen Xinqi'an Industrial Development Co., Ltd.*	7.29%
							Yao Guojian	5.81%
							Zhang Yanfang	4.55%
							12 other individual shareholders each holding 0.11% to 1.94% shares*	7%
							17 other individual shareholders each holding 0.11% to 1.14% shares	5.12%
Heshan Zhujiang County Bank Co., Ltd.	March 18, 2011	Heshan, Guangdong	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting	150	34%	71%#	Guangdong Heshan Beikong Water Co., Ltd.*	10%
							Heshan Donggu Flavoring Food Co., Ltd.*	10%
							Jiangmen Xinhui District Taisheng Quarry Co., Ltd.	10%
							Guangzhou Highsun Enterprises Group Corp.*	10%
							Heshan Jinye Development Co., Ltd.*	7%
							Jiangmen Xinhui Lianhong Chemical Fiber Co., Ltd.	6%
							Guangzhou Huadu Huanyang Trade Co., Ltd.	4.33%
							Heshan Zhongnan Sewage Treatment Co., Ltd.	4%
							Heshan Fuyi Copper Materials Co., Ltd.	3.33%
							One other corporate shareholder	1.33%

Name	Date of Incorporation	Place of Registration	Main Business	Registered capital (RMB, million)	Our Shareholding Percentage	Our Voting Right Percentage	Other Shareholders and Their Shareholding Percentages	
Beijing Mentougou Zhujiang County Bank Co., Ltd.	July 19, 2012	Mentougou District, Beijing	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting	100	51%	51%	Gangtong Logistics (Beijing) Co., Ltd.	10%
							Beijing Qianxi Shihao Electronic Technology Co., Ltd.	10%
							Beijing Gede Auction Co., Ltd.	10%
							Zhejiang Hengji Enterprise Development Co., Ltd.	10%
							Beijing Zhongcai Lizhi Technology Trade Co., Ltd.	9%
Yantai Fushan Zhujiang County Bank Co., Ltd.	April 27, 2012	Yantai, Shandong	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting	100	35%###	52%#	Yantai Runfu Financing Guarantee Co., Ltd.	10%
							Yantai Runlong Building Materials Co., Ltd.	10%
							Yantai Dingji Commerce Co., Ltd.	10%
							Shandong Liyuansheng Trade Co., Ltd.	10%
							Changzhou Jiusheng Engineering Machinery Co., Ltd.	8%
							Beijing Qianxi Shihao Electronic Technology Co., Ltd.*	7%
							Yantai Shangtai Trade Co., Ltd.*	5%
							Jiangxi Yonghong Machinery Co., Ltd.*	5%
Anyang Zhujiang County Bank Co., Ltd.	March 5, 2012	Anyang, Henan	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting, etc.	60	35%	51%#	Anyang Xinqilong Trade Co., Ltd.	9.5%
							Chen Tongzhong	9.5%
							Anyang Detaiheng Industry & Trade Co., Ltd.	9%
							Guangzhou Zhisheng Guanmei Furniture Co., Ltd.*	8%
							Xinhua United Metallurgy Holdings Group Co., Ltd.*	8%
							Anyang Xinyang Decoration Engineering Co., Ltd.	3.5%
							Guo Shufang	3.5%
							Li Huitian	3.5%
							Wu Yanqiu	3%
							Zhao Xiuying	3%
							Three other individual shareholders each holding 1% to 1.75% shares	4.5%
Qingdao Chengyang Zhujiang County Bank Co., Ltd.	July 25, 2012	Qingdao, Shandong	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting, etc.	100	35%	51%#	Qingdao Hongfu Group Co., Ltd.	10%
							Qingdao Logistics Distribution Center Co., Ltd.	10%
							Qingdao Hengyi Landscape Co., Ltd.	10%
							Qingdao Zhonghongce Industrial Co., Ltd.	8%
							Shenzhen Feida Yitong Trade Co., Ltd.*	8%
							Kunshan Zhonglian Integrated Development Co., Ltd.*	8%
							Hu Weijuan	6%
							Shandong Xindu Petroleum Technology Services Co., Ltd.	5%

Name	Date of Incorporation	Place of Registration	Main Business	Registered capital (RMB, million)	Our Shareholding Percentage	Our Voting Right Percentage	Other Shareholders and Their Shareholding Percentages	
Suzhou Wuzhong Zhujiang County Bank Co., Ltd.	December 23, 2013	Suzhou, Jiangsu	Undertake business approved by CBRC in accordance with applicable laws, administrative regulations and other requirements.	150	51%	51%	Suzhou Wuzhong Venture Investment Co., Ltd.	8%
							Zhangjiagang Bonded Area Huazhijie Business Consultation Co., Ltd.	6.5%
							Suzhou Chuangzhi Investment Management Co., Ltd.	5.5%
							Suzhou Huadong Coated Glass Co., Ltd.	5%
							Suzhou Yamada Machinery Co., Ltd.	5%
							KunshanYuqiu Modeling Co., Ltd.	5%
							Suzhou Hongji Tools Co., Ltd.	5%
							Guangzhou Goldvole Investment Group Co., Ltd.	5%
							Hengtong Group Co., Ltd.	4%
Sanshui Zhujiang County Bank Co., Ltd.	November 23, 2010	Foshan, Guangdong	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting, etc.	200	33.4%	50.5%##	Guangdong Gold Rich Group Lo's Co., Ltd.*	9.5%
							Foshan Sanshui Huiwanjia Ceramics Co., Ltd.	9.5%
							Guangdong Wanyuan Construction Co., Ltd.	9.5%
							Foshan Sanshui Lihong Tubular Pile Co., Ltd.	7.7%
							Foshan Sanshui Jinye Development Co., Ltd.*	7.6%
							Guangdong Xinxiongji Industrial Investment Co., Ltd.	7.3%
							Foshan Huiyin Real Estate Development Co., Ltd.	7%
							Foshan Sanshui Dongfang Real Estate Development Co., Ltd.	6.3%
							One other corporate shareholder	2.2%
Zhongshan Dongfeng Zhujiang County Bank Co., Ltd.	April 21, 2011	Zhongshan, Guangdong	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting, etc.	150	35%	35%##	Jonjee Hi-tech Industrial & Commercial Holding Co., Ltd.	10%
							Zhongshan Dongfeng Construction Development Corporation	10%
							Zhongshan Dongfeng Collective Assets Management Co., Ltd.	10%
							Zhongshan Yufeng Technology Holdings Co., Ltd.	10%
							Zhongshan Shunneng Fuel Co., Ltd.	10%
							Lin Yuhua	5%
							Cen Ruikai	5%
							Zhou Zhantao	5%

Name	Date of Incorporation	Place of Registration	Main Business	Registered capital (RMB, million)	Our Shareholding Percentage	Our Voting Right Percentage	Other Shareholders and Their Shareholding Percentages	
Xingning Zhujiang County Bank Co., Ltd.	April 9, 2014	Meizhou, Guangdong	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting, etc.	50	34%	100%#	Meizhou Hongyuan Ecotourism Co., Ltd.*	9%
							Xingning Jinyuan Tap Water Co., Ltd.*	9%
							Sihui Fengshun Energy Co., Ltd.*	9%
							Guangdong Xingning Taixing Construction Engineering Company*	8%
							Shenzhen Junsheng Department Store Co., Ltd.*	7%
							Xingning Guangxing Road Construction Engineering Company*	7%
							Guangdong Caishijie Technology Co., Ltd.*	7%
							Xingning Taishan Industrial Development Co., Ltd.*	4%
							Xingning Xingzhong Construction Engineering Co., Ltd.*	4%
							One other corporate shareholder*	2%
Shenzhen Pingshan Zhujiang County Bank Co., Ltd.	July 9, 2014	Shenzhen, Guangdong	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting, etc.	300	35%	83%#	Guangdong Shengdijia Group Co., Ltd.*	8%
							Shenzhen Nuclear Power Project Construction Co., Ltd.	8%
							Shenzhen Yanuoxin Jewelery Co., Ltd.	8%
							Shenzhen Guanyutong Industrial Co., Ltd.*	8%
							Shenzhen Liuhe Industrial Group Co., Ltd.*	8%
							Shenzhen Zhaobangji Group Co., Ltd.*	7%
							Shenzhen Pengcheng Group Co., Ltd.*	7%
							Shenzhen Jiaxinfu Industrial Group Co., Ltd.*	6%
							Shenzhen Junyue Investment Co., Ltd.*	4%
							One other corporate shareholder	1%
Dongguan Huangjiang Zhujiang County Bank Co., Ltd.	December 16, 2014	Dongguan, Guangdong	Absorb public deposits, offer short-term/mid-term/long-term loans, handle domestic settlement, handle bill acceptance and discounting, etc.	150	35%	100%#	Dongguan Kaifa Enterprise Investment Co., Ltd.*	10%
							Dongguan Yifa Concrete Co., Ltd.*	10%
							Beijing Yihejia Investment Development Co., Ltd.*	9%
							Guangzhou Goldvole Investment Group Co., Ltd.*	9%
							Dongguan Tianxi Property Management Co., Ltd.*	8%
							Dongguan Pengcheng Knitting Co., Ltd.*	7%
							Dongguan Ruixing Paper Products Co., Ltd.*	5%
							Dongguan Yihui Handbag Co., Ltd.*	4%
							Dongguan Zhenhua Plastics Co., Ltd.*	3%

We have consolidated the financial statements of our Bank and entities controlled by us, i.e. our subsidiaries. We cease to consolidate the financial statements of a subsidiary when we lose control of such subsidiary. According to applicable financial reporting standards, control is achieved if and only if we have: (i) the power over the investee, (ii) exposure, or rights, to variable returns from our involvement with the investee, and (iii) the ability to use our power over the investee to affect the amount of the investor's returns. "#" and "##" in the above table denote the factors among which our Bank has taken into account in determining whether we have met the consolidation criteria set forth in the financial reporting standards in respect of the investees in which our Bank holds less than 50% equity interests:-

Our Bank holds more than 50% of voting rights in these subsidiaries by entering into acting-in-concert agreements with certain other shareholders of these subsidiaries, pursuant to which our Bank and those shareholders agree that all resolutions put forward in general meetings, meetings of board of directors and meetings of board of supervisors of these subsidiaries in accordance with applicable laws and regulations and in accordance with the memorandum and articles of association of these subsidiaries (e.g. matters relating to election of directors and supervisors, development plan, operation direction, investment plan, annual financial budget, dividends distribution, internal management structure, risk management policy and internal control policy of these subsidiaries) shall be decided and voted in accordance with the decision of our Bank. As a result, our Bank has rights to variable returns from its involvement in the relevant operations of that subsidiary and is able to affect the returns through the power over that subsidiary.

Our Bank has control over Zhongshan Dongfeng Zhujiang County Bank Co., Ltd. ("Dongfeng Zhujiang") through appointment or approval of appointment of its key management, which further gives us the rights to variable returns from the Bank's involvement in the relevant operations of that subsidiary and the ability to affect the returns through the power over Dongfeng Zhujiang. According to its articles of association, the board of directors shall consist of seven members, among which four shall be nominated by us and three shall be nominated by the other shareholders, and subject to approval by two-third majority votes at the general meeting. The chairman of the board of directors shall be nominated by us and subject to approval by the majority of the board of directors. The articles further provides that personnel nominated by shareholders other than our Bank cannot be appointed as senior management of Dongfeng Zhujiang except for roles of director or supervisor.

Currently Dongfeng Zhujiang's board of directors comprises seven directors, of which three executive directors and one non-executive director were nominated by us. The names, roles and responsibilities of these directors are as follows:

1. Li Xiangzhu (李相柱): Chairman of the board of directors, in charge of the board of directors and responsible for overall management of Dongfeng Zhujiang. In charge of General Management Department (綜合管理部).
2. Chen Jiabin (陳佳彬): Vice President, in charge of daily management and operations of Dongfeng Zhujiang. In charge of Business Management Department (業務管理部).
3. Li Benhua (李本華): Assistant to the President. In charge of Finance and Accounting Department (財務會計部), Operational Management Department (運營管理部) and assists in the management of General Management Department (綜合管理部).
4. Zhang Dongfeng (張東風): Non-executive director.

The remaining three directors are non-executive directors nominated by the other shareholders of Dongfeng Zhujiang.

On top of the directors nominated by us as described above, we also nominated He Zhixin (賀志新), Director of Risk Management of Dongfeng Zhujiang. He is responsible for compliance with regulatory indicators, and is in charge of Credit Management Department (信貸管理部) and auditing functions of Dongfeng Zhujiang.

Our Bank has control over Sanshui Zhujiang County Bank Co., Ltd. ("Sanshui Zhujiang") through appointment or approval of appointment of its key management, which further gives it the rights to variable returns from its involvement in the relevant operations of that subsidiary and the ability to affect the returns through the power over Sanshui Zhujiang. According to its articles of association, personnel nominated by shareholders other than our Bank cannot be appointed as senior management of Sanshui Zhujiang except for roles of director or supervisor. The articles further provides that our Bank is entitled to request the board of directors to replace members of the senior management.

Currently Sanshui Zhujiang's board of directors comprises seven directors, of which one executive director and four non-executive directors were nominated by us or shareholders acting in concert with us. The names, roles and responsibilities of these directors are as follows:

1. Mai Zhiguang (麥志光): Chairman of the board of directors, in charge of the board of directors and responsible for overall management of the bank, and operation of the Party Committee and the board of directors. In charge of human resources and audit functions.
2. Chen Zhiyong (陳志勇): President. In charge of the overall daily operation and management and responsible for the management of the Marketing Center (營銷中心), General Management Department (綜合管理部) and Business Department (營業部).
3. Zhang Dongfeng (張東風): Non-executive director.
4. Liu Jinxi (劉進喜): Non-executive director.
5. Liang Tianke (梁天可): Non-executive director.

The remaining two directors are non-executive directors nominated by the other shareholders of Sanshui Zhujiang.

On top of the directors nominated by us as described above, we also nominated Du Zhuangli (杜壯利), Director of Risk Management of Sanshui Zhujiang. He is in charge of the Risk Management Department, the Planning and Finances Department, the Operation Management Department and also assists in the management of audit functions.

Our Bank has entered into share transfer agreements with seven local enterprise shareholders of Yantai Fushan Zhujiang County Bank Co., Ltd. ("Yantai Fushan") in relation to total 58% shareholding of Yantai Fushan on May 19, 2017 which are subject to completion. Upon completion, Our Bank will hold 93% equity interest of Yantai Fushan.

* Person acting in concert with our Bank.

Certain shareholders acting in concert with our Bank have granted to our Bank a right of first refusal to acquire their shareholding interests, in which case no disposal shall be allowed unless they have served an advance notice to our Bank of their intention to dispose of their shareholding interests and our Bank waives our right of first refusal. To enhance the enforcement of the terms of the acting-in-concert agreements, all shareholders acting in concert with our Bank shall ensure any transferee of their shareholding interests will execute an acting-in-concert agreement of similar content with our Bank.

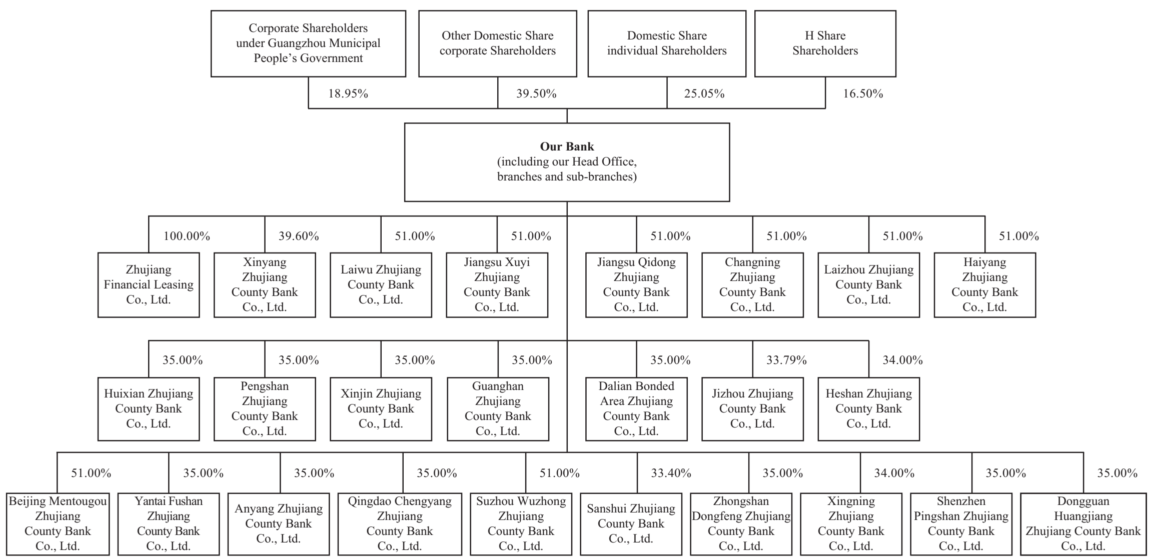
(7) To the best of our knowledge, information and belief save as disclosed in Appendix VII—"Statutory and General Information—4. Further

Information about Our Substantial Shareholders, Directors, Management and Staff" and persons who are acting in concert with our Bank, all other shareholders of these subsidiaries were Independent Third Parties as of the Latest Practicable Date.

(8) As of the Latest Practicable Date, a total of 2,223,892,950 Shares held by Shareholders of our Bank (accounting for 27.28% of our Shares) were pledged after registration and none of which were pledged by the corporate Shareholders controlled by the Guangzhou Municipal People's Government; a total of 42,537,600 Shares held by Shareholders of our Bank (accounting for 0.52% of our Shares) were frozen by judicial bodies and our PRC legal advisor, King & Wood Mallesons, is of the view that it has no material impact on the Global Offering.

Immediately after the Global Offering

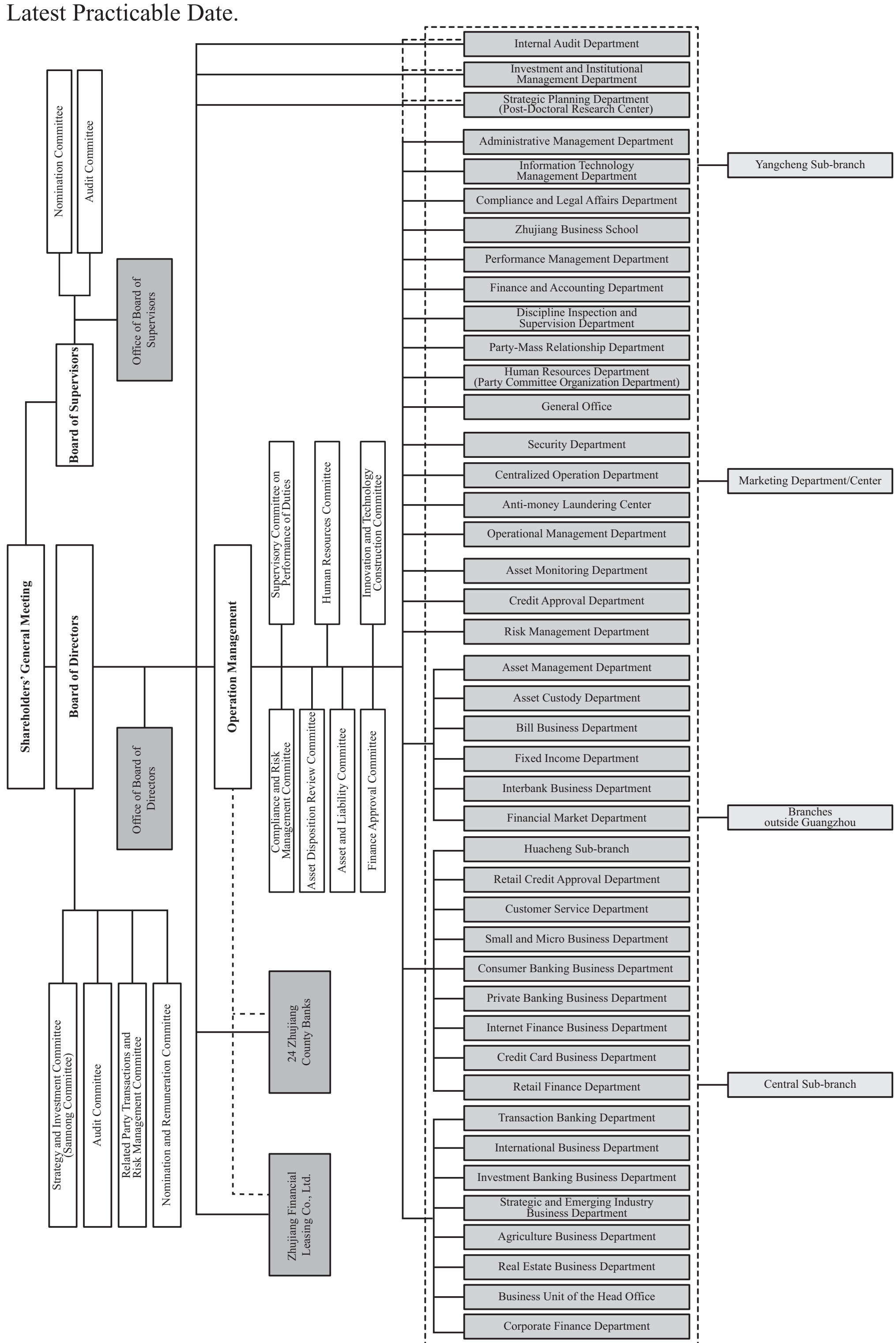
The chart below sets forth the shareholding structure of our Bank and our subsidiaries immediately after the Global Offering (assuming Over-Allotment Option has not been exercised and the shareholdings of our Shareholders remain unchanged after the Latest Practicable Date).



Where the percentage of shareholding of our Bank in a subsidiary is different from the percentage of voting rights, the percentage of shareholding is shown in the above structure chart.

ORGANIZATION STRUCTURE

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



CORPORATE GOVERNANCE STRUCTURE

Our Bank has set up a corporate governance structure which comprises the Shareholders' meeting, the Board of Directors, the Board of Supervisors and the senior management.

Board

The major responsibilities of the Board include: formulating business development strategies and supervising their implementation; determining business plans and investment schemes; formulating annual financial budgets; formulating proposals on capital planning, change of registered capital, issuance of corporate bonds or other securities and public listings; formulating risk management and internal control policies; supervising the effective performance of duties and responsibilities by senior management.

Our Board has established the Strategy and Investment Committee (Sannong Committee), Related Party Transactions and Risk Management Committee, Nomination and Remuneration Committee and Audit Committee. Each of these committees reports to the Board. For functions of each committee, see "Directors, Supervisors and Senior Management—Committees under the Board of Directors."

Board of Supervisors

The major responsibilities of the Board of Supervisors include: supervising the performance of the Board and the senior management, reviewing our business decisions, financial activities, internal control, risk management and preventive measures, and evaluating development strategies formulated by the Board regularly.

The Board of Supervisors has established a Nomination Committee and an Audit Committee, and each committee shall report to the Board of Supervisors. The Audit Committee and the Nomination Committee under the Board of Supervisors have different compositions from, and operates independently of, the Audit Committee and the Nomination and Remuneration Committee under the Board of Directors.

Senior Management

The senior management, with the power vested by the Board, manage our daily operation. Our president is primarily responsible for carrying out the decisions made by the Board, and shall report to the Board. Our Bank also appoints vice presidents and other members of senior management to work with our president, to perform their respective management duties and responsibilities.

OVERVIEW

Our Bank is a leading rural commercial bank in China and ranked first among rural commercial banks in Guangdong Province in terms of total assets, net assets, deposits, loans, operating income and net profits as of and for the year ended December 31, 2016. According to "Top 1000 World Banks 2016" by *The Banker*, we ranked 203rd among commercial banks in the world, 30th among commercial banks in China and fourth among rural commercial banks in China in terms of tier-one capital. According to "Top 500 Chinese Enterprises in 2016 (「2016中國企業500強」) published by China Enterprise Confederation and China Enterprise Directors Association, we ranked 441st in terms of operating income, up 32 positions as compared to that in 2015. Moreover, we are the only rural commercial bank that has been listed in such ranking for two consecutive years. As of December 31, 2016, our Bank ranked third and seventh among all commercial banks in Guangzhou in terms of deposits and loans, with a market share of 10.0% and 7.2%, respectively, according to PBoC Guangzhou Branch.

We have operated our business in a prudent manner with rigorous risk management. Our total assets increased from RMB466.6 billion as of December 31, 2014 to RMB661.0 billion as of December 31, 2016, representing a CAGR of 19.0%. Our operating income increased from RMB13,859 million in 2014 to RMB15,240 million in 2016. As of December 31, 2016, our NPL ratio was 1.81%, lower than the average of 2.49% of rural commercial banks in China.

We offer a variety of standardized and differentiated banking products and services to our customers through our diversified marketing networks. As of December 31, 2016, our Bank had, excluding the outlets of our Zhujiang County Banks, a total of 625 outlets, of which 618 were located in Guangzhou, ranking first among all commercial banks in terms of the number of outlets in Guangzhou. As of the same date, our Zhujiang County Banks had a total of 142 outlets. Our outlets primarily spread across urban and rural areas of Guangzhou. As of December 31, 2016, the number of our Bank's outlets mainly serving rural areas and outskirts of Guangzhou, representing approximately 85.4% of our Bank's total outlets, ranked top among all commercial banks in Guangzhou. Furthermore, as of December 31, 2016, our Bank also had five branches and two sub-branches located in the cities outside Guangzhou, namely Foshan, Qingyuan, Heyuan, Zhaoqing and Zhuhai in Guangdong Province. In order to expand our marketing channels and improve customer experience, we also provide e-banking services through our online banking, WeChat banking, mobile banking, self-service banking, VTM and telephone banking. We have also established featured Internet financial service platforms comprising of, among others, direct banking, online financing platforms, e-mall, online payment platform, which offer comprehensive 24-hour financial services to our customers.

In order to further expand our geographical coverage and broaden our integrated financial product and service offerings, we had established 24 Zhujiang County Banks, as our subsidiaries, in nine provinces and municipality in China as of December 31, 2016, and one wholly-owned subsidiary, Zhujiang Financial Leasing Co., Ltd. in December 2014, which enable us to provide cross-region and cross-financial-sector services to a wider range of customers.

We have successfully built a diversified profit model, which has laid a solid foundation for the sound and rapid development of our business. In 2016, our net fee and commission income was RMB2,976 million, accounting for approximately 19.5% of our operating income, higher than the average of approximately 12.7% for all Hong Kong Listed City/Rural Commercial Banks for the same year. We believe we have established ourselves as a market leader among all rural commercial banks in China for the development of investment banking, wealth management and asset custody businesses. In 2015, we issued direct financing instruments through wealth management products. We believe that we are the first rural commercial bank in China for the issuance of such products. We successfully issued our first SME credit asset securitization product in the same year. According to the "Bank's Capability in Wealth Management Ranking" published by PY Standard for 2016, we ranked first among all rural commercial banks in China, in terms of overall capabilities in wealth management, products offering, variety of wealth management products and risk management. In addition, we are the first rural commercial bank in China qualified to provide securities investment fund custody services.

We have been highly recognized by authoritative organizations for our outstanding performance and received a number of prominent awards over the years. The following table sets forth certain awards and honors that we had received during the Track Record Period:

Year	Awards/Honors	Event/Organizer/Media
2016	Ranked 203rd in the "Top 1000 World Banks" (「全球銀行1000強」), and 30th among commercial banks in China and fourth among all rural commercial banks in China in terms of tier-one capital	*The Banker (UK)*
	Ranked 441st, 91st and 25th in "Top 500 Chinese Enterprises in 2016" (「2016中國企業500強」) in terms of operating income, net profit and net profit per capita, respectively	China Enterprise Confederation and China Enterprise Directors Association
	Ranked 29th in the "China's Top 100 Banks" (「中國前100家銀行排名榜單」) and first among regional banks in Guangdong Province in terms of net core tier-one capital	China Banking Association
	"Most Promising Rural Commercial Bank (Investment Banking Business) in China in 2016" (「2016年中國區最具成長性農商行投行獎」)	*Securities Times* (《證券時報》)
	"Most Influential Rural Commercial Bank" (「最具有市場影響力農商銀行」)	*The Banker (China)* (中國《銀行家》)
	"Most Promising Retail Bank in 2016" (「2016最具發展潛力零售銀行」)	*The 21st Century Economic Daily* (《21世紀經濟報道》)
2015	"Best Rural Commercial Bank in China" (「全國最佳農商銀行」)	*Financial News* (《金融時報》) and the Institute of Finance and Banking of the Chinese Academy of Social Sciences
	Ranked 40th in the Competitiveness Ranking of Banks in Asia (「亞洲銀行競爭力排名」第40位)	*The 21st Century Economic Daily* (《21世紀經濟報道》)
	"Best Rural Commercial Bank of the Year" (「年度最佳農商銀行」)	*Financial News* (《金融時報》)
	Listed in the "Top 500 Chinese Enterprises in 2015" (「2015中國企業500強」) for the first time, being the only rural commercial bank among the 18 banks on the list	China Enterprise Confederation and China Enterprise Directors Association
	"Outstanding Banking Financial Institutions for Small and Micro Enterprises in China" (「全國銀行業金融機構小微企業金融服務先進單位」) and "Exemplary Banks of Year 2015-2016" (「2015-2016年度標桿銀行」)	CBRC

Year	Awards/Honors	Event/Organizer/Media
2014	"Most Influential Award" (「最具市場影響力獎」) and "Best Rural Financial Institution Award" (「最佳農村金融機構獎」) in the Interbank Renminbi Market	National Interbank Funding Center
	Ranked 160th in the "Top 500 Chinese Enterprises in the Service Industry in 2014" (「2014中國服務業企業500強」) and ranked 18th among 43 banks on the list in terms of operating income	China Enterprise Confederation and China Enterprise Directors Association
	"Best Service Provider for SMEs" (「最佳中小企業服務商」) and "Most Innovative Internet Finance Award for 2014" (「2014年度互聯網金融創新大獎」)	*Nanfang Daily* (《南方日報》)
	"Most Innovative Internet Financial Business of Regional Commercial Banks" (「區域性商業銀行最佳互聯網金融業務創新獎」)	China Financial Certification Authority

OUR COMPETITIVE STRENGTHS

A leading rural commercial bank in China, ranking first in Guangdong Province, with distinct geographic advantages

We have over 60 years' history, tracing our roots back to 1952 when the first rural credit cooperative was established in Guangzhou. We were converted into a joint-stock company in 2009 after the completion of reorganization. Rooted in southern Guangdong Province, we have benefited significantly from the rapid economic development of Guangdong Province and Guangzhou.

As a pioneer in the "Reform and Opening-up policies," Guangdong Province is one of the most economically developed provinces in China. With the support of a well-established industry chain, flourishing SMEs, strong innovation capabilities and leading consumption power of residents, as well as national strategies such as the Pan-Pearl River Delta Region Cooperation, Guangdong-Hong Kong-Macau cooperation and Guangdong Pilot Free Trade Zone (廣東自貿試驗區), Guangdong Province has gained a solid foundation for its rapid growth. The nominal GDP of Guangdong Province increased from RMB4.6 trillion in 2010 to RMB8.0 trillion in 2016, representing approximately 10.7% of that of China in 2016, ranking first in China for 28 consecutive years.

As the provincial capital of Guangdong Province, Guangzhou has played an important role in serving the province and driving the development of the Pan-Pearl River Delta Region over long period of time. In 2016, the nominal GDP of Guangzhou was RMB2.0 trillion, representing approximately 25.0% of that of Guangdong Province. Such fast-developing economy has driven the rapid growth of regional finance. As of December 31, 2016, the aggregate amount of RMB- and foreign currency-denominated deposits of financial institutions in Guangzhou was RMB4,753.0 billion, representing an increase of approximately 10.9% from the previous year-end and accounting for approximately 26.4% of the total balance of deposits in Guangdong Province as of the same date. As of December 31, 2016, the aggregate amount of RMB- and foreign currency-denominated loans of financial institutions in Guangzhou was RMB2,967.0 billion, representing an increase of approximately 8.7% from the previous year-end and accounting for approximately 26.7% of the total balance of loans in Guangdong province as of the same date.

We maintain a focus in Guangzhou and a national presence, which enable us to enjoy outstanding geographic advantages. Benefiting from a rich heritage of rural credit cooperative, we have the largest number of outlets that fully covered urban and rural areas in Guangzhou. As of December 31, 2016, we had, excluding the outlets of our Zhujiang County Banks, 625 outlets, of which 618 were in Guangzhou, accounting for approximately 23.0% of the total number of outlets of commercial banks in Guangzhou and ranking first in Guangzhou. As of the same date, our Bank had five branches and two sub-branches located in the cities outside Guangzhou, namely Foshan, Qingyuan, Heyuan, Zhaoqing and Zhuhai in Guangdong Province. As of December 31, 2016, our Bank had 615 off-bank stations and 2,590 ATMs and CRSs. The number of our off-bank stations ranked top among all commercial banks in Guangzhou as of the same date. In addition, we are one of the first rural commercial banks to operate across regions in China. To expand our business operations nationwide, we have established 24 Zhujiang County Banks in nine provinces and municipality, including Beijing, Guangdong Province, Liaoning Province, Shandong Province, Henan Province, Sichuan Province, Jiangsu Province, Hunan Province and Jiangxi Province, which has enhanced our internal resources-sharing and promoted our business collaboration.

Our remarkable geographic advantages and outlets network covering urban and rural areas have laid a solid foundation for our sound and sustainable development. Our Bank is a leading rural commercial bank in China and ranked first among rural commercial banks in Guangdong Province in terms of total assets, net assets, deposits, loans, operating income and net profits as of and for the year ended December 31, 2016. As of December 31, 2016, our total assets and net assets were RMB661.0 billion and RMB37.8 billion, respectively, which ranked fourth and sixth as compared to the Hong Kong Listed City/Rural Commercial Banks, respectively, and the first among all city commercial banks and rural commercial banks headquartered in Guangdong Province. As of December 31, 2016, our total deposits and total loans were RMB423.7 billion and RMB245.9 billion, respectively, both of which ranked third as compared to the Hong Kong Listed City/Rural Commercial Banks, and the first among all city commercial banks and rural commercial banks headquartered in Guangdong Province. In 2016, our operating income and net profits amounted to approximately RMB15.2 billion and RMB5.1 billion, respectively, both of which ranked fifth as compared to the Hong Kong Listed City/Rural Commercial Banks, and the first among all city commercial banks and rural commercial banks headquartered in Guangdong Province.

A successful transformation to a diversified profit model and rapid growth in our fee- and commission-based business

We are committed to developing, and have successfully developed a diversified profit model in response to the challenges of interest rate liberalization and financial disintermediation, and we believe we are a pioneer and leader among regional banks in carrying out business transformation and diversification. While seeking fast growth in our loan business, we have offered a wide variety of fee- and commission-based product portfolios that cover businesses such as advisory and consulting, wealth management, agency and custody services and provided comprehensive financial products and services to keep in pace with customers' changing needs. We are the first rural commercial bank in China qualified to provide securities investment fund custody services. In December 2014, we established a wholly-owned subsidiary, Zhujiang Financial Leasing Co., Ltd., and became the first rural commercial bank in Guangdong Province holding a controlling interest in a financial leasing company.

The full-fledged development of our businesses has boosted the rapid growth of our net fee and commission income. In 2014, 2015 and 2016, our net fee and commission income was RMB1,742 million, RMB2,890 million and RMB2,976 million, respectively, all ranking first as compared to the Hong Kong Listed City/Rural Commercial Banks. For the same periods, our net fee and commission income as a percentage of our operating income was approximately 12.6%, 17.8% and 19.5%, respectively, ranking third, first and second as compared to the Hong Kong Listed City/Rural Commercial Banks, respectively.

Adhering to our comprehensive investment banking strategy, we have established a comprehensive financial solutions platform of "equity, loan, debt and investment (股、貸、債、投)" which provides one-stop, extended and integrated services to our customers to meet their various needs at different development stages. Our investment banking products have broadly covered businesses including equity financing, financial advisory, consulting and debt underwriting. We have also expanded our comprehensive financial services to include equity funds, debt financing instruments, asset securitization, acquisition financing and direct financing instruments through wealth management products. As one of the earliest participants in the interbank bond market, we are qualified for underwriting debt securities issued by three policy banks, namely China Development Bank, Agricultural Development Bank of China and Export-Import Bank of China, and we have also actively participated, as a syndicate member, in underwriting corporate bonds. In 2015, we successfully issued direct financing instruments through wealth management products in a total amount of RMB1.1 billion. We believe that we are the first rural commercial bank in China to conduct such business. During the same year, we obtained the qualification to conduct credit asset securitization business and successfully completed the issuance of SME credit asset securitization products with a par value of RMB1,037 million. Our investment banking business has been highly recognized by the market and we were named as the "Most Promising Rural Commercial Bank (Investment Banking Business) in China in 2016" (2016中國區最具成長性農商行投行獎) by the *Securities Times* (《證券時報》).

We enjoy a leading position in wealth management business among rural commercial banks in China. Our wealth management products are tailored to meet the market needs and issued through a wide range of channels. We provide customized wealth management services to our corporate customers, retail customers and financial institution customers by taking into account their risk tolerance, requirements for investment yields and liquidity. In 2014, 2015 and 2016, the aggregate amount of proceeds raised from the issuance of non-principal-protected wealth management products was RMB61,170 million, RMB84,197 million and RMB209,512 million, respectively, representing a CAGR of 85.1%. According to the "Bank's Capability in Wealth Management Ranking" published by PY Standard, we ranked first among all rural commercial banks in China in terms of overall capabilities in wealth management, products offering, variety of wealth management products and risk management in 2016. We have launched "Sun Wealth Management (太陽理財)" which was awarded the "2016 Best Wealth Management Brand among all City Commercial Banks (Rural Commercial Banks) in China" (2016中國最佳城商行（農商行）理財品牌) by the *Securities Times* (《證券時報》).

Our assets custody business has experienced rapid growth since we obtained relevant qualifications. We obtained the qualification for securities investment fund custody in January 2014, being the first rural commercial bank in China qualified for providing such service. We obtained the insurance asset custody qualification in October 2015. As of December 31, 2016, our asset custody business has covered securities investment funds, asset management plans managed by fund companies or their subsidiaries, directed asset management plans offered by securities companies, trust plans, wealth management products of banks, private equity funds, insurance asset management plans and futures asset management plans. Assets under our custody amounted to RMB124,533 million, RMB295,608 million and RMB709,999 million as of December 31, 2014, 2015 and 2016, representing a CAGR of 138.8%.

Distinctive Sannong financial services based on our strong local presence and profound local insights

We have richly cultivated in Sannong financial services in Guangzhou for more than 60 years and developed extensive experience. Our outlets spread across 11 administrative districts in Guangzhou's urban and rural areas. As of December 31, 2016, approximately 85.4% of our Bank's outlets in Guangzhou mainly served rural areas and outskirts, the number of which ranked top among all the commercial banks in Guangzhou. As of the same date, we had 83 rural financial service stations, the number of which ranked first among all the commercial banks in Guangzhou.

We are a market leader in Guangzhou to provide village community banking business, capitalizing on our widespread and well-established networks in rural areas. As of December 31, 2016, 1,283 out of 1,295, or 99.0% of, administrative villages in Guangzhou had opened bank accounts in our Bank. As of the same date, we had approximately 2.1 million retail village customers. As of December 31, 2014, 2015 and 2016, our village community deposits amounted to RMB40.0 billion, RMB47.4 billion and RMB54.8 billion, respectively. According to the Guangzhou rural property circulation management services platform (廣州市農村產權流轉管理服務平台) and our internal data, as of December 31, 2016, our village community deposits accounted for approximately 86.0% of the village community deposits in Guangzhou, evidencing our prominent leading position. The average cost of our village community deposits is relatively low compared to that of our other deposits, which provides us with a substantial source of low-cost funds for our business development. In 2014, 2015 and 2016, the average cost of our village community deposits was 1.75%, 1.79% and 1.40%, respectively, lower than the average cost of our deposits of 2.52%, 2.61% and 2.01%, respectively, for the same periods.

We have enhanced business cooperation with leading agricultural enterprises and provided credit support to key industries such as pig breeding, aquaculture and aquatic products trading markets by offering customized financing solutions and risk management model, taking into account the nature of the relevant industries.

Leveraging our deep understanding of local markets and close relationship with our customers, we have continually developed and enhanced our product offerings tailored for our Sannong customers with a view to create a financial ecosystem for the agricultural industry and provide better services to the modern agriculture sector. In response to the needs of the modern agriculture sector and the changes in the business environment, business structure and profit model of village communities, we have developed a series of financial products and services for our corporate and retail customers and have introduced "Agricultural Industry Chain (農業鏈)" and the "e-Loans for Villagers (村民e貸)". We have also integrated and optimized products including "Business Loans for Villagers (村民致富貸)" and "Yue Fu Bao (粵富寶)". For example, "Agricultural Industry Chain" mainly serves the development of modern agriculture industry and its segment industries. Such product offers flexibility in provision of collateral by the introduction of chattel floating charge and mortgage of land contract and management right, which allows the efficient use of modernized agricultural resources. "Agricultural Industry Chain" was honored as one of the "50 Best Financial Products for Sannong (服務三農五十佳金融產品)" in 2015 by China Banking Association. Our "Yue Fu Bao" product is also designed to provide flexibility in provision of collateral and borrowing plans for our village community customers when they seek funding for working capital and project financing for the establishment or upgrade of properties including farmers' apartments and rural markets. The product was awarded as one of the "20 Best Financial Products for Sannong (服務三農二十佳金融產品)" in 2014 by China Banking Association. We officially launched our WeChat Mall in 2016 to provide comprehensive financial services to agricultural enterprises and farmers. It is designed to provide an online mall under our brand "Sun Market (太陽集市)" mainly for agricultural products by taking advantage of our resources in serving our clients in the agriculture industry.

Our innovative Sannong financial products have stimulated the rapid growth of our agriculture-related loans. We are one of the commercial banks in Guangzhou that have the largest balance and highest percentage of agriculture-related loans to our total loans. As of December 31, 2014, 2015 and 2016, our agriculture-related loans amounted to RMB29.7 billion, RMB28.3 billion and RMB30.7 billion, representing approximately 16.0%, 12.7% and 12.5% of our total loans, respectively.(1)

A leading financial services provider to small and micro enterprises and private business owners

Guangdong Province has a large number of small and micro enterprises and private business owners who have gained increasing importance in economic development and industrial restructuring. In 2013, 2014 and 2015, the industrial-added-value contributed by small and micro enterprises above-designated-size (an enterprise above-designated-size has an annual income from its principal business of RMB20 million or above) accounted for approximately 26.5%, 27.1% and 27.3%, respectively, of the industrial-added-value contributed by industrial enterprises above-designated-size in Guangdong Province. We focus on providing comprehensive and convenient financial services for small and micro enterprises and private business owners. With the growth of small and micro enterprises and private business owners in Guangdong Province, the number of our small and micro customers increased from 56,444 as of December 31, 2014 to 60,453 as of December 31, 2016. As of December 31, 2014, 2015 and 2016, loans to our small and micro customers were RMB72,328 million, RMB86,621 million and RMB82,689 million, respectively.

Leveraging our top-ranked and extensive network in both urban and rural areas in Guangzhou, our close relationship with our customers enables us to capture financing needs of small and micro enterprises and private business owners responsively and successfully develop a featured and flexible series of products for these customers, including "Lian Lian Dai (連連貸)," "Loan to Business Circles and Merchants (商圈商戶貸)" and financial products portfolio under our "Sun" brand. In June 2010, we were the first commercial bank in Guangzhou to cooperate with IPC GmbH and employ its world-leading microfinance technology. Based on such technology, we launched loan products including unsecured "Sun Micro Loans" and "Sun Small Loans" featuring flexible collateral through the application of cross-checking technology. We aim to provide effective financing solutions to our small and micro customers to ease their access to financing. As of December 31, 2016, our financial services to small and micro customers had covered a wide range of numerous industries including wholesale and retail, commercial services, textile and clothing and manufacturing.

We have established specialized service units to promote professionalized, mass customized and standardized financial services to our small and micro customers. We established a Micro and Small Finance Business Department (currently known as "Small and Micro Business Department") in March 2011 for direct marketing to our small and micro customers. As of December 31, 2016, we had established 13 small and micro finance centers under our branches and sub-branches as our specialized units to provide accessible and convenient financial products and services for various small and micro customers, covering urban areas in Guangzhou and outskirts such as Panyu, Huadu, Zengcheng and Conghua. Catering the characteristics of "short-term, frequent and urgent" financing needs of small and

(1) As Conghua and Zengcheng have been re-classified from the county level to city level in 2014, loans to such two regions had ceased to be counted in the agriculture-related loans since 2015 according to the statistics of PBoC.

micro customers, we have arranged an exclusive approval channel with designated staff for our small and micro customers at the Head Office, which has greatly improved efficiency. Our unsecured "Sun Micro Loans" can be released as fast as the same day of application and the secured "Sun Small Loans" can be approved within three business days.

Our financial business targeting small and micro customers has maintained relatively high yields as compared to loans to other customers for years. In 2014, 2015 and 2016, the average yield of our "Sun Micro Loans" and "Sun Small Loans" products was 12.42%, 11.55% and 9.60%, respectively, which was higher than the average yield of our loans of 7.15%, 6.74% and 5.44%, respectively, for the same periods.

Our financial business for small and micro customers has been highly recognized by the market and received a number of awards. In 2015, our Bank was regarded as "Best Small and Micro Financial Services Provider of Banking Financial Institutions in China" by CBRC and was awarded "Financial Innovation in China • Top Ten Best Innovative Financial Products" jointly by *the Banker (China)* and the Financial Product Center of Financial Market Research Department of the Chinese Academy of Social Sciences, and "Excellent Innovative Financial Institutions in Guangzhou of 2014" by Guangzhou People's Government. In 2014, our Bank was awarded the "Gold Banyan Award of 2014 • Best Service Provider for Small and Medium Enterprises" by *Nanfang Daily* (《南方日報》).

A culture of innovation featuring a rapid development in our Internet finance business

In pursuit of innovation as our founding principle, we have continuously introduced new technologies, developed new products and explored new channels. We plan to introduce more innovative products by the implementation of our internal innovation system.

We strive to adapt ourselves to the latest development of the banking industry and have continued to introduce new technologies. We are one of the first commercial banks to introduce biometrics technology, such as fingerprint identification, to various retail banking terminals in order to promote efficiency, reduce cost and improve our customers' experience. We have introduced fingerprint identification technology to our mobile banking in order to provide customers with extensive financial services and featured functions for daily services. We launched our mobile payment service "Sun Smart Pay" by utilizing user safety verification methods such as fingerprint identification, independent security chip and payment password. Our "Sun Smart Pay" service allows customers to pay for their fare at Guangzhou Metro stations and make payment by using mobile phones. Meanwhile, we have adopted artificial intelligence and equipped an intelligent response robot in our WeChat banking which is able to provide dynamic responses, so as to provide our customers with online enquiry and guidance, making our customer services more convenient. In addition, we have introduced VTM by integrating the advanced technologies of video communication, remote assistance and electronic signature. We are also one of the first commercial banks to introduce face recognition technology to VTM, which has significantly improved our operating efficiency.

Our commitment to meeting customers' latest needs is demonstrated in our continued efforts to develop new products and services. For example:

- We have provided services in relation to transportation. In 2013, we introduced "vehicle steward (車管家)" business to cater our customers' needs, making us one of the first commercial banks in Guangdong Province to provide online vehicle administration and real-time payment for traffic penalties. Through our mobile banking service "portable vehicle steward (掌上車管家)," we offer "one-stop" steward services, including driving course application, driver reservation, penalty payment and online car rental to our customers. As of December 31, 2016, the number of our registered users of "vehicle steward" business was approximately 537,600; and

- We offer online personal loans based on our "white-list (白名單)" customer onboarding model by using multiple types of big-data information systems. We believe we were one of the first commercial banks in China having the capabilities to provide online personal loan services to nation-wide customers using big-data enabling customers to complete the entire loan application, loan approval and loan disbursement process automatically and conveniently online. We have provided diversified online personal loan products to a wide range of customers including existing mortgage loan customers, payroll service customers, housing provident fund customers in Guangzhou, in-service students of Guangzhou Distance Education Center (廣州遠程教育中心) and individual income taxpayers in Guangdong Province. We launched the "Online Quick Loan (線上快貸)" personal credit loan products in 2015. As of December 31, 2016, the aggregate amount of total loans disbursed under our "Online Quick Loan" was approximately RMB42.4 million, with an NPL ratio of 0.15% and an annualized yield of over 8.0%. We launched "Direct Quick Loan (直銷快貸)" in July 2016 to provide online personal loan business to nation-wide customers following the issuance of our "Online Quick Loan" products.

We have developed a multi-channel e-banking service system by setting up comprehensive service channels that are composed of online banking, mobile banking, direct banking, WeChat banking, SMS banking and telephone banking. We have established Internet financial service platforms such as payment platform, e-mall and online financing platform to further develop our online customer acquisition model, reduce service costs and enhance service efficiency. For example, our newly-launched direct banking service provides online integrated financial services including investment, financing and payment. Customers can register e-accounts online under their real names at any time. Our wealth management services are characterized with low threshold and flexible terms. We offer credit loans that are fully accessible through online application, extension and repayment options. In 2016, our e-banking substitution rate for all transactions was approximately 84.5%.

We have established a well-founded business and product innovation system to facilitate continued innovation. We have set up an Innovation Committee under our senior management that is responsible for formulating management policies to promote innovation as well as for consultation and decision-making with respect to relevant issues. We have placed administrative measures to promote innovative business and products at all levels of our Bank, while all key business departments have formulated their respective working procedures and systems with this regards. In addition, we have set up product development teams throughout business lines to capture industry trends and understand customer needs in order to optimize existing business products, introduce industry-leading business products or develop new business or products.

We have been recognized by the market for our innovation capability of technology, products and channel. In 2015, we were awarded the "Outstanding Enterprise of Independent Innovation in Guangdong Province (廣東省自主創新標桿企業)" by Guangdong Provincial Enterprises Confederation and Guangdong Provincial Association of Entrepreneurs, and the "Best Financial Brand Innovation Award (最佳金融品牌創新獎)" jointly by *The Banker (China)* and the Chinese Academy of Social Sciences.

A comprehensive and prudent risk management system ensuring our sound asset quality

We are committed to implementing a comprehensive and prudent risk management strategy through "proactively undertake, manage and control risks." We have also maintained our risk management culture of "making steady progress while proactively keeping the stability by controlling risks within controllable scope." A comprehensive risk management structure covering credit risk, market risk, liquidity risk, operation risk, legal and compliance risk, information technology risk and reputation risk has been established. Our "three lines of defense (三道防線)" of risk management structure consisting of business departments, risk management department and internal audit department under the Board and our senior management have also been set up. Our comprehensive and prudent risk management has also been reflected as follows:

- We endeavor to build "Sunshine Credit Project" which is characterized by the core value of "open and transparent, sound, pragmatic, and innovative development in line with market trends" aiming at enhancing risk management. In respect of credit approval procedures, our transparent credit approval procedures can be exemplified by publication of Sunshine Credit guidelines and timely notification to the applicant. In respect of formulation of our internal policies, we have implemented a number of measures by formulating time limitation for approvers, annual review system for approvers, quantitative assessment system and client meetings in order to standardize our business procedures. In respect of assessment and accountability, we have established a dual accountability system that requires both individual staff and the correspondent supervisor to assume relevant responsibility; and

- We have strictly implemented New Basel Capital Accord under the Basel III Framework. We have formulated bank-wide administrative measures on risk preference and indicator system which cover revenue, capital and various major risks. In addition, we have formulated and strictly implemented administrative measures regularly on stress test. In order to increase risk sensitivity for capital provisions, we have formulated a transitional plan for the measurement of differential risk-weighted assets based on our customers and current business situation.

We have set up a risk management team with professional and high-caliber personnel. As of December 31, 2016, our Bank had 426 full-time employees performing risk management and legal compliance duties. Approximately 95.7% of these employees hold bachelor's degrees or above and 23.4% of the same hold master's degrees or above. We have standing committees consisting of designated approvers under all major business lines. These designated approvers comprise employees with extensive front-line work experience and legal or financial skills and industry knowledge. Such employees generally have over 10 years of experience in banking industry, enhancing the efficiency and professionalism of our risk management.

Benefiting from our prudent risk management philosophy, comprehensive risk management system and professional risk management team, we have managed to maintain sound asset quality along with the rapid growth of credit business. As of December 31, 2014, 2015 and 2016, our NPL ratio was 1.54%, 1.80% and 1.81%, respectively, lower than the average of 1.87%, 2.48% and 2.49% of all rural commercial banks in China, respectively. Our risk exposure was relatively low in high-risk fields. As of December 31, 2016, the balance of loans to industries with overcapacity (for example iron and steel and coal) accounted for 0.8% of the total corporate loans with an NPL ratio of 1.18%. As of the same date, the balance of loans to local government financing vehicles accounted for 3.6% of the total corporate loans and none of these loans was classified as non-performing loans. Moreover, the balance of corporate loans to the real estate industry accounted for 16.2% of the total corporate loans with an NPL ratio of nil as of the same date.

Long-term and steady support of our Shareholders, experienced management team and market-oriented performance evaluation system

Our Shareholders include leading enterprises in various industries, such as finance, real estate, retail, infrastructure and manufacturing industries. Our Shareholders have provided ongoing support to our business development and implementation of strategies. We believe that we will benefit from our shareholders' support to develop business and attract talents.

Our management team has extensive experience in the banking industry and excellent strategic insights. Our management team has an average of over 18 years of experience in the financial industry. Mr. Wang Jikang, the chairman of the Board, holds a doctor degree in management and has over 20 years of experience in the banking industry. He previously held leading positions in Guangzhou Commercial Bank Co., Ltd. (廣州市商業銀行股份有限公司). He served key positions at PBoC Guangzhou Branch and was responsible for supervision of financial institutions. Mr. Wang has a broad understanding of economic and financial market as well as strategic restructuring and development of the banking industry. Mr. Yi Xuefei, our president, has over 20 years of experience in banking industry. He served key positions in the Guangdong Branch and other branches of China Construction Bank in several prefecture-level cities in Guangdong Province and has rich experience and broad knowledge in the banking industry and financial market of Guangdong Province. Our chairman and president have been working with us for over 10 years and actively participating our restructuring and establishment. The stability of our management team has enabled consistent implementation of our strategies and ensured the sustainable development of our Bank.

We have high-quality and stable employees. As of December 31, 2016, the number of employees with bachelor's degree or above accounted for 66.4% of the total number of employees of our Bank. The turnover rate of employees during the Track Record Period was below 5%. We provide diversified career paths with promotion opportunities across various positions for our employees. We continuously invest substantial resources in the recruitment and training of employees. With our specialized training department, Zhujiang Business School and our well-established training system, we constantly provide trainings to our employees to enhance their professional skills and capabilities. We are one of the first commercial banks to set up a postdoctoral research center to fully promote the integration of advanced financial studies and industry studies.

Based on a delicated and market-oriented performance management system, our management can be clearly seen in three dimensions: organizational performance management, operational performance management and performance measurement management. With respect to organizational performance management, we have a sound human resource system which enables staffing and determination of department's responsibilities for relevant staff cost. Staffing for middle and back office is strictly controlled according to per capita efficiency. With respect to operational performance management, we have applied visual management on our business task, compensation and expenses of our Bank, business lines and departments so as to enable us to accurately monitor the revenue from, and cost of, various business units and products. With respect to performance measurement management, we perform quantitative review on our various business lines, departments and employees to timely and accurately evaluate their performance-based compensation. Our commitment to establish and promote a market-oriented performance management system has greatly refined our internal management, built up an effective incentive mechanism, stimulated vitality and kept our employee motivated.

OUR STRATEGIES

Our Group's strategic vision is to become a financial holding group with strong competitiveness and influence and hold a wide range of licenses and qualifications that enable us to operate cross-regions and cross-financial-sectors. In order to fulfill our vision, we pursue our strategies of developing comprehensive retail banking, investment banking, asset management and interbank banking with the support of an integrated platform (大零售、大投行、大資管、大同業、大平台), to achieve synergies and cross-selling among various business segments to offer "one-stop, full-cycle and comprehensive" financial solutions in response to customers' needs. These initiatives will further transform us from a traditional commercial bank into an integrated financial service provider.

We plan to achieve our goal through the implementation of following measures.

Developing into an integrated and comprehensive financial service provider

With a focus on banking business, we are committed to developing ourselves into an integrated financial holding group with significant influence and competiveness in a wide range of business areas, including financial leasing, fund, insurance, securities, futures, trusts and assets management business. Our measures mainly include:

- Accelerating the comprehensive development of our business structure. We plan to operate certain business lines at the level of our subsidiaries, such as establishing the consumer financing companies, credit card companies, designated Sannong business institutions, small and micro finance institutions and asset management companies. We plan to obtain licenses for financial business, directly through applications, and indirectly through making strategic investments, business cooperations and carrying out mergers and acquisitions. As of the Latest Practicable Date, we have not identified any mergers and acquisition target. We plan to establish independent legal entities or set up joint ventures with other parties, such as fund management company, Internet finance company, securities company, trust company, insurance company and futures company;

- Expanding our service coverage in Guangdong and across China while based in Guangzhou. We plan to set up branches and sub-branches to achieve full coverage in Guangdong Province and continue to establish county banks with a view to optimizing our strategic layout in China. We plan to expand our financial leasing business outside Guangzhou and explore opportunities to establish subsidiaries of Zhujiang Financial Leasing Co., Ltd. outside Guangzhou; and

- Accelerating comprehensive business service development. We plan to deploy and adjust our strategic investment to set up an integrated financial service platform and support the development of our specialized business platforms. We plan to carry out business transformation to further increase the scale of our fee- and commission-based business and its income contribution to our overall business.

Retail banking business: striving to become a market leader in regional retail financial business

Focusing on expanding our customer base with our strategy of developing comprehensive retail banking (大零售), we will put great efforts into community finance business, consumer finance business and wealth management business. Through product innovation and customer experience enhancement, we plan to further expand the scale of our retail banking business and optimize our business and customer structure in an effort to become the market leader of retail financial business in the Pearl River Delta Region. Our measures mainly include:

- Optimizing retail banking business structure and promoting consumer finance business and wealth management business. We plan to establish a new model for consumer credit businesses and expand our customer base targeting the general public. We plan to categorize our customers by analyzing their investment preference and develop featured wealth management business catering for the needs of our customers in each category. We also plan to accelerate the development of private banking and expand high-end customer acquisition channel;
- Optimizing outlet distribution, promoting the development of community bank. We aim to accelerate the transformation of our outlets from settlement service terminal to sales and customer experience terminal. We plan to formulate an effective evaluation system for the operation efficiency of our outlets. We also plan to establish a comprehensive community service platform by enhancing the service and sales of community bank; and
- Enhancing product development and management and enriching product lines. We plan to set up product development and management system in accordance with market demands and customer needs. By switching our product development strategy from a single product to integrated products with high added value, we plan to develop an iconic product brand. We plan to develop our proprietary high-tech online loan products and further explore the new market of Internet finance. We plan to introduce new deposit and loan products and optimize fee- and commission-based product mix.

Corporate banking business: building an "asset-light" corporate banking business

We are committed to updating the business model and risk management of our corporate banking business based on the investment banking business mindset and promoting collaboration between traditional loan business and investment banking business. Apart from facilitating the development of our traditional credit business, we plan to establish an asset-light business model. We plan to adopt the strategy of comprehensive investment banking (大投行) to develop our asset-light corporate finance business. Our measures mainly include:

- Accelerating the transformation of comprehensive investment banking business. We plan to satisfy different corporate customers' financing and investment needs by continuously offering an integrated financial service solution of "equity, loan, debt and investment" (股、貸、債、投). We intend to transform our business model from "product-oriented" to "customer-oriented" and from "credit agency" to "service agency" by adopting the comprehensive investment banking business model;
- Enhancing the competitiveness of our financial products and services provided to small and micro customers. We plan to optimize the small and micro financial products by offering different credit terms and interest rates and strive to develop online financing products to enhance end-to-end automation;

- Promoting trade banking business. We plan to provide comprehensive financial services by focusing on the transactions and production process of our customers. Leveraging Internet technologies and information technologies, we plan to establish a financial platform by setting up a financial services platform for supply chain and connecting it to the supply chain management system within our customers' Enterprises Resources Planning (ERP) system as well as related platforms of third parties such as e-commerce suppliers; and

- Accelerating rural finance business expansion. We plan to promote financial services for the whole-value chain of agricultural industry in order to establish both online and offline integrated financial ecosystem for modern agricultural enterprises, agricultural products wholesale markets and agricultural parks.

Financial market business: establishing a strong and distinctive interbank financial service platform

We plan to promote the optimization and innovation of the product portfolios of our financial market business. We plan to expand our business scope and enhance our capabilities in market research, investment, trading and risk management. We also plan to establish a strong and distinctive interbank financial service platform. Our measures mainly include:

- Promoting business transformation by adjusting asset and liability structure. We endeavor to optimize our asset allocation and plan to establish a comprehensive asset management business model with well-balanced and structured assets and liabilities. We strive to prepare in advance for the allocation of categorized assets by optimizing our business structure;

- Establishing a "comprehensive interbank (大同業)" financial cooperation platform. Underpinned by small and medium financial institutions, we strive to enhance our cooperation with financial institutions including rural cooperative institutions, small and medium commercial banks, funds, securities companies, trusts companies and insurance companies and form a new cooperation model which is characterized by mutual liquidity support, investment alliance and integrated financial services; and

- Facilitating the development of capital-light business. We plan to transform the profit model of our assets management business. We plan to promote our fixed-income businesses and further expand into trading market, develop market-making business and expand our derivatives trading business and interbank deposit certificates business. In addition, we plan to spend more efforts in credit extension of commercial papers, to constituent listed enterprises, large-sized central and local state-owned enterprises. We also aim to further develop our custody business targeting, among others, asset management plans, trust fund plans and wealth management products issued by other banks.

Fully committed to a comprehensive risk management system and establishing a long-term risk control mechanism

Committed to the coherence between risk management and business development, we are devoted to establishing a comprehensive risk management system in compliance with external regulatory requirements and in accordance with our own development. We plan to establish a long-term risk control mechanism. Our measures mainly include:

- Further refining the comprehensive risk management system. We plan to improve the comprehensive risk management system in strict compliance with external regulatory requirements. We plan to manage and control risks by tightening risk control at early stages and strengthening management in all aspects;
- Introducing bank-wide risk preference and risk limits. With reference to both qualitative and quantitative indicators, we plan to specify the risk tolerance of various risks and set up risk limits based on our risk preference and our customers' size, industry and location and the characteristics of our products;
- Enhancing and refining risk management methods through a stronger technological support. Through implementation of Basel III, we plan to facilitate the establishment and optimization of our risk measurement systems and establish and improve the data quality control mechanism; and
- Strengthening our professional risk management team. We plan to enhance the management of credit approvers and ensure professional review and approval through further implementation of quantitative assessment. We plan to organize our risk management training plans, formulate regular training programmes and further strengthen the performance assessment of risk management personnel holding key positions.

Further developing our Internet finance business to enhance our comprehensive service capability

We plan to implement the strategy of "Internet-based, intelligent, service-oriented and synergized" for Internet finance business and establish a customized Internet service platform to improve our comprehensive service capability. Our measures mainly include:

- Implementing the strategy of Internet finance business. We plan to develop an intelligent bank and promote the intelligence of our retail banking outlets. We plan to adopt an integrated approach to facilitate the management of our customers' capital flow, information flow and logistics with the application of advanced technologies such as big-data analysis, cloud computing and mobile Internet. We plan to further develop intelligent outlet services and internal intelligent management. We also plan to strengthen the development of our IT support, big-data technology and Internet financial business;
- Achieving win-win situation by establishing platforms and enhancing cross-sector cooperation. We plan to establish a multi-layered, multi-platforms and differentiated business structure to further develop our distinctive and synergized business. These initiatives may enable us to provide a wide range of financial products and integrated financial services for customers; and
- Focusing on cross-sector services of Internet finance business. We plan to enter into long-term cooperation agreements in respect of payment, Internet finance and big-data with Internet enterprises. We plan to provide financial services featuring financial-sophistication and Internet-based products experience through synergistic cooperation and resources-sharing with these enterprises.

Deepening the reform of our comprehensive performance management system and thoroughly implementing our talents cultivation strategy

We plan to continue to optimize our performance management reform under our diversified and professional talents development strategy. We plan to gradually establish strategy-oriented human resource management. We aim to optimize the structure of our talents pool from various aspects so as to build a professional team. Our measures mainly include:

- Optimizing our performance management reform. We plan to extend the application of performance indicators, promote a market oriented and qualification based performance management approach of our middle and back offices and establish dynamic appraisal mechanism and optimize the core procedures. We plan to further optimize and simplify our planning model, key performance indicator (KPI) index and performance contract. We plan to further improve our employee performance evaluation and incentive mechanism. To motivate our employees and enhance their loyalty, we plan to offer competitive compensation packages;
- Refining talents cultivation mechanism and enhancing the quality of our employees. We plan to formulate a talent training mechanism to provide training according to the positions and related duties of different employees. Capitalizing on our Zhujiang Business School and Internet learning system, we plan to design a professional talent training system to strengthen the integration and management of training at our Head Office, branches and sub-branches; and
- Refining talents evaluation system to maintain a talents pool and recruitment on a regular basis. We plan to establish a talents pool based on employees' professional skills, attitude and expertise. We plan to adopt efficient appraisal tools in our employee appraisal system. Our human resources system is planned to be used as the database for creating an internal talent pool and achieving reasonable talents deployment.

OUR PRINCIPAL BUSINESSES

Our principal businesses include corporate banking, retail banking and financial market businesses. The following table sets forth the contribution of each business segment to our operating income for the years indicated.

	For the year ended December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Corporate Banking Business	5,311	38.3%	5,977	36.9%	6,618	43.4%
Retail Banking Business	5,940	42.9	6,161	38.0	5,972	39.2
Financial Market Business	2,650	19.1	3,979	24.5	2,621	17.2
Others(1)	(42)	(0.3)	96	0.6	29	0.2
Operating income	**13,859**	**100.0%**	**16,213**	**100.0%**	**15,240**	**100.0%**

(1) Consists of incomes that are not directly attributable to any specific business segment.

Corporate Banking Business

Overview

We offer diversified financial products and services to our corporate customers, including corporate loans, corporate deposits, trade finance and international settlement, as well as other fee- and commission-based corporate products and services comprising of investment banking, corporate wealth management and other fee- and commission-based products and services. Our corporate customers include enterprises, village communities, government agencies and public institutions, among which our enterprise customers include state-owned and private enterprises of various sizes and types from numerous industries.

We have established Business Unit of the Head Office, Investment Banking Business Department, Real Estate Business Department, Agriculture Business Department, Strategies and Emerging Industries Business Department, International Business Department and Transaction Banking Department, all of which are under the Corporate Finance Department, to operate and manage our corporate banking business. We provide differentiated products and services to meet diverse needs of our corporate customers. We focus on building up and maintaining long-term and comprehensive cooperation with our core customers as well as leveraging the cooperative relationship to further explore their upstream and downstream customers. We have maintained close relationships with Chimelong Group Co., Ltd. and Guangzhou Metro Corporation and other large enterprises as well as public institutions. We are also dedicated to exploring small and micro enterprises in response to the development of the banking industry in China and capturing market opportunities arising from the rapid growth and strong demand for capital from small and micro enterprises in recent years. As of December 31, 2014, 2015 and 2016, we had 1,957, 2,323 and 2,585 loan customers of small and micro enterprises, respectively, representing a CAGR of 14.9%. In addition, we have actively developed agriculture-related corporate customers, in particular modern agricultural enterprises by leveraging our traditional competitive edge as a rural commercial bank and our geographic advantage in rural areas in Guangzhou. By offering comprehensive and tailor-made financial products and solutions to our core corporate customers to meet their needs, we are able to boost customer loyalty and further increase their contribution to our overall income and profit on a long-term basis.

We have been adhering to our "comprehensive investment banking" strategy to develop our corporate banking business and place focuses on an integrated customer marketing concept of "equity, loan, debt and investment." In particular, "equity" means the provision of services in respect of the equity or capital contribution for enterprises to boost their net assets and profitability, reduce their gearing ratio and lay a foundation for their subsequent financing activities. "Loan" means extension of our structured finance loans and traditional project loans to enterprises to strengthen their operation and sales capabilities and satisfy the capital needs for their daily operation and specific projects. "Debt" means our assistance to enterprises to issue bonds or debt financing instruments in the mature domestic bond market to raise low-cost funds to refinance their high-cost capital funds and loans. "Investment" means cooperation with third-party financial institutions to develop our investment and financial consulting business and other advisory business. Leveraging the integrated marketing concept of "equity, loan, debt and investment", we are committed to satisfying various financing needs of customers at their different development stages. Our investment banking business has expanded significantly to include equity funds, "Listing Connect (上市通)" comprehensive financial services, M&A loans and other products, forming a product portfolio with four major categories and ten featured investment banking products.

Our corporate loans increased steadily from RMB119,771 million as of December 31, 2014 to RMB152,567 million as of December 31, 2016, with a CAGR of 12.9%. Our corporate deposits also increased steadily from RMB134,074 million as of December 31, 2014 to RMB179,589 million as of December 31, 2016 with a CAGR of 15.7%. As of December 31, 2016, we had 3,357 corporate borrowers and 49,385 corporate depositors, respectively.

In 2014, 2015 and 2016, operating income from our corporate banking business amounted to RMB5,311 million, RMB5,977 million and RMB6,618 million, respectively, accounting for approximately 38.3%, 36.9% and 43.4% of our total operating income for the same periods, respectively.

Major Products and Services

Corporate Loans

As of December 31, 2014, 2015 and 2016, our corporate loans amounted to RMB119,771 million, RMB146,421 million and RMB152,567 million, respectively, accounting for approximately 64.4%, 65.5% and 62.0% of our total loans to customers, respectively.

Corporate Loans by Customer Size

We provide differentiated loan products and services to our customers of various categories and size. The following table sets forth our corporate loans by the size of our customers as of the dates indicated below.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Large enterprises[1]	22,953	19.2%	24,940	17.0%	32,594	21.4%
Medium enterprises[1]	44,850	37.4	60,469	41.3	53,112	34.8
Small enterprises[1]	34,035	28.4	47,329	32.3	44,046	28.9
Micro enterprises[1]	9,267	7.7	6,726	4.6	9,697	6.4
Others[2]	8,666	7.3	6,957	4.8	13,118	8.6
Total corporate loans	**119,771**	**100.0%**	**146,421**	**100.0%**	**152,567**	**100.0%**

(1) The classification criteria for large, medium, small and micro enterprises are set out by the Classification Standards of Small and Medium Enterprises. For detailed information, see "Definitions and Conventions."
(2) Consist primarily of loans to government and public institutions.

Loans to large and medium enterprises

Our large and medium corporate loan customers mainly include state-owned and quality private enterprises based in Guangzhou. A majority of our customers are engaged in wholesale and retail, leasing and commercial services industries. The balances of loans to large and medium enterprises of such industries accounted for more than 35% of our total loans to large and medium enterprises. Our Business Unit of the Head Office is responsible for the centralized management of our major large corporate customers (including state-owned enterprises under the Central Government of the PRC based in Guangdong Province, large enterprises owned by provincial and municipal governments, Fortune 500 enterprises and leading enterprises in related industries). For medium enterprise customers, our branches and sub-branches mainly provide support to leading state-owned and private enterprise in their respective administrative regions. In order to seize business opportunities arising from local economic growth and public construction projects, we have actively supported local infrastructure construction. In recent years, we participated in a number of investment and financing projects of local governments, mainly including water conservancy projects in Guangdong Province, inter-city railway projects in the Pearl River Delta Region and development funds for railway projects in Guangdong Province. We also provided support to regional industrial transformation and upgrading projects such as the reconstruction project of the "three olds (三舊)" ("old urban areas, old factories and old villages (舊城鎮、舊廠房、舊村莊)") and "Beautiful Village (美麗鄉村)" project. As of December 31, 2014, 2015 and 2016, the balance of our loans to water conservancy projects in Guangdong Province amounted to RMB2,400 million, RMB2,160 million and RMB1,920 million, respectively. The balance of our loans to inter-city railway projects in the Pearl River Delta Region amounted to approximately RMB1,010 million, RMB760 million and RMB720 million, respectively, as of the same dates.

As of December 31, 2014, 2015 and 2016, the balance of our loans to large and medium enterprises amounted to RMB67,803 million, RMB85,409 million and RMB85,706 million, respectively, accounting for approximately 56.6%, 58.3% and 56.2% of our balance of corporate loans as of the same dates, respectively. As of December 31, 2014, 2015 and 2016, we granted loans to a total of 1,056, 1,244 and 945 large and medium enterprises, respectively.

Loans to small and micro enterprises

Our small and micro enterprise loan business primarily targets customers in Guangzhou. We also serve customers in the Pan-Pearl River Delta Region through our outlets. Our customer base covers various high-quality enterprises in different industries, including manufacturing, wholesale and retail, leasing and commercial services as well as construction. Our Corporate Finance Department and Small and Micro Business Department under the Retail Finance Department are jointly responsible for the management of loans to various small and micro enterprises, including the formulation of business development objectives and strategies as well as the innovation and development of products.

To seize business opportunities arising from the development of small and micro enterprises and to provide better services to our small and micro enterprises customers, we provide them with convenient financial services through optimizing our 618 outlets in urban and rural areas in Guangzhou. Leveraging our outlet resources and geographic advantages, we have set up a designated business team serving small and micro enterprises and take advantage of our strong "outlets + online" service system to support the business development of small and micro enterprises.

Leveraging our strong business layouts and market-oriented credit policies, we have actively developed a variety of credit products for small and micro enterprises to meet their different demands in order to resolve their difficulties in financing. To meet the financing needs of our small and micro customers, we are a leader among all the commercial banks in Guangzhou in cooperating with IPC GmbH to introduce world-leading microfinance technology. Leveraging such technology, we have launched products including "Sun Micro Loans (太陽微貸)" (credit loans of not more than RMB2 million) and "Sun Small Loans (太陽小貸)" (loans with flexible mortgages of not more than RMB10 million). In addition, we also provide the following credit products to our small and micro customers, including but not limited to:

- "Loans for Business Circles and Merchants (商圈商戶貸)": a series of loan products designed for business circles and merchants such as specialized markets, shopping streets and commercial centers to meet their financial needs on production and operation. Such loan products include merchants business loans, merchants rental loans and merchants working capital loans. Taking into account the joint responsibility undertaken by managers of the relevant market and merchants' cash flow status in our bank account, working capital loans can be granted to multiple merchants in the same business circle through our "Loans for Business Circles and Merchants" product, which is featured with standardization and wholesale characteristics; and

- "Lian Lian Dai (連連貸)": a loan product for our small and micro customers to solve maturity mismatch caused by operation cyclicity and loan term. Our small and micro customers can use new lending proceeds under the loan agreement to settle their outstanding loan principals within the term of the loan agreement instead of repaying the principal when due.

As of December 31, 2014, 2015 and 2016, the balance of our loans to small and micro enterprises amounted to RMB43,302 million, RMB54,055 million and RMB53,743 million, respectively, accounting for approximately 36.1%, 36.9% and 35.2% of our total loans to corporate customers, respectively. As of December 31, 2014, 2015 and 2016, we had provided loans to 1,957, 2,323 and 2,585 small and micro enterprises, respectively, representing a CAGR of 14.9%.

Our loan businesses for small and micro enterprises and private business owners have been widely recognized in the market and received a number of awards. In 2015, we were regarded as "Best Small and Micro Financial Services Provider of Banking Financial Institutions in China" by CBRC and was awarded "Financial Innovation in China • Top Ten Best Innovative Financial Products" jointly by the Banker (China) and the Financial Product Center of Financial Market Research Department of the Chinese Academy of Social Sciences and "Excellent Innovative Financial Institutions in Guangzhou of 2014" by Guangzhou People's Government. In 2014, we were awarded the "Gold Banyan Award of 2014 • Best Service Provider for Small and Medium Enterprises" by Nanfang Daily (《南方日報》).

Corporate Loans by Product Type

To meet diversified financing demands of our customers, we offer various loan products, including working capital loans, fixed asset loans and financial leasing services. We provide working capital loans to customers to meet their working capital requirements in daily operations. We also provide fixed asset loans to customers to meet their financing needs of fixed asset investment projects (including infrastructure projects, building construction, land development and other projects). In addition, financial lease receivables were generated through the operation of our financial leasing business by Zhujiang Financial Leasing Co., Ltd., a subsidiary established in late 2014. The following table sets forth our corporate loans by product type as of the dates indicated.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Working capital loans	79,105	66.1%	94,332	64.4%	89,105	58.4%
Fixed asset loans	40,282	33.6	44,918	30.7	52,528	34.4
Financial lease receivables	—	—	6,915	4.7	10,633	7.0
Others(1)	384	0.3	256	0.2	301	0.2
Total corporate loans	**119,771**	**100.0%**	**146,421**	**100.0%**	**152,567**	**100.0%**

(1) Consist primarily of advances incurred under bank acceptances.

Featured loan products for corporate customers

We offer our corporate customers a variety of featured loan products to further enhance our competitiveness and market share in corporate banking business by leveraging our advantages as a rural commercial bank and the policy opportunity of urban redevelopment in Guangzhou.

"Agricultural Industry Chain (農業鏈)" business

"Agricultural Industry Chain" business are financial products based on business model of modern agricultural customers and financing arrangements in accordance with overall planning of customers. It features specially-designed structured products, including project financing and trade finance. It also provides modern agricultural enterprises with comprehensive financing solutions covering the whole industrial chain and mainly supporting leading enterprises in industries such as pig breeding, aquaculture and integrated farming. Flexible options of various mortgage methods such as property mortgage, land mortgage, land contract management right mortgage, forest right and equipment mortgage are offered to enterprises. "Agricultural Industry Chain" was honored as one of the "50 Best Financial Products for Sannong (服務三農五十佳金融產品)" in 2015 by China Banking Association. As of December 31, 2016, the balance of loans of our "Agricultural Industry Chain" products amounted to RMB3,356 million.

"Yue Fu Bao (粵富寶)" business

In order to adapt to new changes in the rural economy and support the development of rural economy, we introduced "Yue Fu Bao (粵富寶)" in 2014 which provides village collective economic organization customers with working capital loans and fixed asset loans. Fixed asset loans mainly provides financial support to constructions and renovations such as farmers apartments, rural markets properties and factories as well as "three-olds (三舊)" ("old urban areas, old factories and old villages (舊城鎮、舊廠房、舊村莊)") reconstruction projects. Since its introduction, the product has been well received by our village community customers and has achieved outstanding market performance. The balance of our loans to village community customers increased from approximately RMB2.1 billion as of December 31, 2014 to approximately RMB3.7 billion as of December 31, 2016. The number of our village community customers increased from 10,331 as of December 31, 2014 to 10,958 as of December 31, 2016. "Yue Fu Bao (粵富寶)" was honored as one of the "20 Best Financial Products for Sannong (服務三農二十佳金融產品)" in 2014 by China Banking Association. In 2015, "Yue Fu Bao (粵富寶)" product was upgraded to "Rural Financial Service 3.0", which further covered village community deposits, village community settlement and other businesses. Our village community deposits increased from RMB40.0 billion as of December 31, 2014 to RMB54.8 billion as of December 31, 2016.

Corporate Deposits

We offer our corporate customers time deposits and demand deposits in Renminbi and major foreign currencies (including the U.S. Dollar, Hong Kong Dollar, Euro, Japanese Yen, Australian Dollar, Canadian Dollar and British Pound). We offer Renminbi time deposits with a maximum term of five years in general. We also offer our large-denomination certificates of deposit to meet market demand incentivized by interest rates liberalization. It is offered to public by installment with tailored deposit periods and interest rates based on the capital management demand of different corporate customers. We also provide demand deposits, agreement deposits and "Smart Deposits (智能存)", a special deposit service with flexible terms and higher yields as compared with similar products.

The following table sets forth our corporate deposits by product type as of the dates indicated.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Demand deposits	61,512	45.9%	73,272	47.2%	96,876	53.9%
Time deposits	72,562	54.1	82,014	52.8	82,713	46.1%
Total corporate deposits	**134,074**	**100.0%**	**155,286**	**100.0%**	**179,589**	**100.0%**

As of December 31, 2014, 2015 and 2016, our corporate deposits amounted to RMB134,074 million, RMB155,286 million and RMB179,589 million, respectively, accounting for approximately 37.8%, 39.7% and 42.4% of our total deposits, respectively.

Trade Finance & International Settlement

We have a well-developed system for domestic and overseas trade finance and international settlement. In respect of our domestic trade finance business, we offer our customers products such as prepaid financing, inventory financing, accounts receivable financing, notes financing and letters of credit. We also focus on research and development on supply chain finance solutions catering to our corporate customers' demands, and have successfully launched featured business models for financing supply chains such as bulk credit extension for secured goods delivery of paper product industry, bulk credit extension of accounts receivable for the textile and garment industry and bulk credit extension of commercial acceptance bill discounting for the building materials industry. In respect of our international trade finance business, we offer our customers products such as international guarantees, forfeiting, import payments, export invoice financing, packing loans, export insurance financing and foreign currency loans and other services. International settlement businesses consist of international remittance, collection and international letter of credit. In addition, as a member of the China Foreign Exchange Trading Center, we can conduct RMB foreign exchange spot transactions, foreign currency interbank borrowing and foreign currency exchange in the interbank market. Taking advantages of the recent policies in Free Trade Zone and measures promoting the reform of foreign exchange management, we have developed new international business products, including cross-border and foreign currency fund pool, settlement of cross-border e-commerce and cross-border financial leasing.

Our Transaction Banking Department is mainly responsible for domestic trade finance, while our International Business Department is mainly responsible for overseas trade finance and international settlement businesses. In 2014, 2015 and 2016, fee and commission income of trade finance and international settlement amounted to RMB67 million, RMB53 million and RMB51 million, respectively, accounting for approximately 3.5%, 1.7% and 1.6% of our total fee and commission income, respectively.

Leveraging Guangzhou's geographic advantage as a center for logistics, finance, commerce and trade in the Pearl River Delta region and a major international commercial and trade center in China, as well as benefits from being the first group of pilot cities for RMB cross-border settlement, our businesses of trade finance and international settlement have grown steadily in recent years. As of December 31, 2014, 2015 and 2016, our domestic trade finance credit exposure amounted to RMB15.8 billion, RMB17.2 billion and RMB13.7 billion, respectively. As of December 31, 2014, 2015 and 2016, our international trade finance credit exposure amounted to RMB3.7 billion, RMB3.9 billion and RMB7.3 billion, respectively. As of December 31, 2016, we have established business relationships with over 200 local and overseas agency banks to provide international settlement services. In 2014, 2015 and 2016, our international settlement volume amounted to USD6,827 million, USD6,846 million and USD10,220 million, respectively. We were awarded "Outstanding Bank for RMB Cross-border Transactions in Guangdong Province (廣東省跨境人民幣業務工作先進單位)" by PBoC Guangzhou Branch in 2015.

Fee- and Commission-Based Corporate Products and Services

Investment Banking

In addition to our traditional loans and deposits businesses, we provide our corporate customers with investment banking services which serve as a key foothold for our strategy of comprehensive investment banking and comprehensive operations. In response to market demands, we continuously provide "financing plus advisory services (融資+融智)" to our customers by launching a series of products, including bond underwriting, equity fund, asset securitization, direct financing instruments through wealth management products, "Listing Connect (上市通)", M&A financing, financial consulting and advisory services. In 2015, we issued direct financing instruments through wealth management products. We believe that we are the first rural commercial bank in China for the issuance of such products. We successfully issued our first SME credit asset securitization product in the same year. In 2014, 2015 and 2016, our total fee and commission income of investment banking business amounted to RMB409 million, RMB735 million and RMB1,161 million, respectively.

Equity fund business

Equity fund business refers to financial services for introducing capital support to equity funds and their target enterprises through tailor-made financing plans and risk control mechanisms by leveraging investment and financing platform features of equity funds.

"Listing Connect (上市通)"

"Listing Connect" refers to professional services we provide to pre-IPO companies, which include the provision of financing, investment and consulting services throughout the whole listing process from the stage of pre-listing guidance, shareholding restructuring, to initial public offering.

Debt securities underwriting and direct financing instruments through wealth management products

Our debt securities underwriting business refers to marketing, promotion, underwriting and sales of debt finance instruments as an underwriter licensed by the National Association of Financial Market Institutional Investors. In 2014, 2015 and 2016, the principal of debt securities we underwrote amounted to RMB123,914 million, RMB68,806 million and RMB28,783 million, respectively. Direct financing instruments through wealth management products are standard investment products launched and managed by us, the proceeds of which are invested in the debt financing of a single corporate entity. These instruments are placed under the custody of a designated registration and settlement institution and are traded publicly among qualified investors. Information about these instruments is disclosed through designated channels. In 2015, we successfully issued direct financing instruments through wealth management products in the amount of RMB1.1 billion. We believe that we are the first rural commercial bank in China to conduct such business. As of December 31, 2016, the total direct financing instruments through wealth management products amounted to RMB1.1 billion.

Securitization of credit assets

Securitization of credit assets is structured finance products sponsored by us through which we entrust credit assets to a trustee and the trustee issues asset-backed securities to institutional investors in the form of assets-backed securities. Cash flows from the securitized credit assets are used to pay the returns on the asset-backed securities. In 2015, we issued SME credit assets securitization products in the amount of RMB1,037 million.

Financial advisory and consulting services

For our financial advisory and consulting services, we act as a financial adviser to provide customers with professional advice, analysis, planning, arrangement, project consulting and other services, including but not limited to, project investment and financing consulting, mergers and acquisitions consulting, private fund-raising consulting, industry information analysis and financial market analysis in accordance with customer's requirements.

M&A loans

We provide M&A loans to acquirers to finance their M&A consideration. Our M&A loans provide support to the acquirers which have already obtained control of the target enterprises for acquisition or subscription of additional equity interests of the target companies to maintain control. We formulate specific procedures for M&A loans business in strict compliance with the requirements of regulatory authorities. We assess the strategy risk, legal and compliance risk, operational risk and other risks in relation to M&A business based on our credit policy, and report to the approval department for review and approval according to the approval authorization and procedures of our ongoing credit business.

Corporate Wealth Management Business

We offer our corporate customers principal-protected and non-principal-protected wealth management products. We enter into contracts with corporate customers on wealth management products. As the sponsor, we design wealth management products and invest raised funds into investment instruments, such as bonds, bonds repurchase and interbank deposits. Driven by diversified needs of our corporate customers, we have launched various wealth management products with different terms and rates of return to meet customers' risk preferences and expected returns. In 2014, 2015 and 2016, the total proceeds raised through our wealth management products amounted to RMB84,012 million, RMB123,851 million and RMB129,272 million, respectively. As of December 31, 2014, 2015 and 2016, the outstanding wealth management products sold to our corporate customers amounted to RMB21,349 million, RMB30,071 million and RMB31,281 million, respectively. See "—Financial Market Business—Major Products and Services—Wealth Management for Customers" for details.

Other Fee- and Commission-Based Products and Services

We provide our corporate customers with diversified financial products and services through more than 10 types of other fee- and commission-based products and services including among others, corporate cash management, custody of transaction funds and "Corporate Settlement Card (單位結算卡)" product.

Corporate cash management services

Supported by our advanced cash management platform, we assist our corporate customers in managing their funds efficiently with a focus on account management being supported by the combination of collection and payment, liquidity management, wealth management, short-term financing and risk management.

Custody of transaction funds

We are entrusted by both buyers and sellers to temporarily hold the transaction funds deposited in our bank by the buyer. The transaction funds will be released to the seller when the goods or services have been delivered by the seller in accordance with the agreement, or, if the transaction fails, we will return the transaction fund to the buyer according to the agreement.

"Corporate Settlement Card" product

In order to improve the convenience of payment and settlement accounts of corporate customers, we introduced "UnionPay Corporate Settlement Card (銀聯單位結算卡)" jointly with China UnionPay. To target corporate customers, this product is linked to bank settlement accounts of corporate customers and features a number of financial functions such as account inquiry, transfer and remittance, cash deposit and withdrawal, consumption and wealth management. We are one of the first 13 commercial banks to introduce the "UnionPay Corporate Settlement Card" jointly with China UnionPay and also the first rural commercial bank in China to issue "UnionPay Corporate Settlement Card." Since its introduction in 2014, as of December 31, 2016, the total amount of the accounts opened for our "Corporate Settlement Card" had reached 9,672.

Retail Banking Business

Overview

We have provided our retail customers with various products and services, including personal loans, personal deposits, bank cards and fee- and commission-based retail products and services. As a part of our efforts to implement our comprehensive retail banking development strategy, we have set up our Credit Card Business Department, Internet Finance Business Department, Private Banking Business Department, Consumer Banking Business Department, Retail Credit Approval Department, Small and Micro Business Department, Customer Service Department and Huacheng Sub-branch, all of which are under our Retail Finance Department, to manage our various retail banking businesses, including personal deposits, debit cards, wealth management and private banking businesses. Each of our retail banking business department cooperates with each other in our product management and customer management with clear duty allocation.

Our retail banking business has a broad customer base in Guangzhou and the customer base has been expanding steadily in recent years. As of December 31, 2014, 2015 and 2016, we had approximately 14.0 million, 14.9 million and 15.6 million personal deposit customers, respectively, representing a CAGR of 5.6%. As of December 31, 2014, 2015 and 2016, we had approximately 88,000, 96,000 and 103,000 personal loan customers, respectively, representing a CAGR of 8.2%. While expanding our retail customer base, we also sought to cultivate and develop high-end retail customers. We have established Private Banking Business Department to provide high-end customers with professional, tailor-made and dedicated wealth management and other consulting services and preferential services. We classify our customers based on their total financial assets including deposits, customers' funds of wealth management products, funds and trust plans. For example, customers whose financial assets in the amount of RMB3 million to no more than RMB6 million are classified as "Diamond Customers", and customers whose financial assets in the amount of RMB6 million or above are classified as "Private Banking Customers." As of December 31, 2014, 2015 and 2016, the number of high-end customers with financial assets of not less than RMB3 million was 1,906, 2,344 and 2,932, respectively. As of the same dates, the total financial assets of these customers amounted to RMB13,092 million, RMB16,414 million and RMB21,554 million, respectively.

We have established featured wealth management business and adopted tiered customer management. We have also accelerated the development of private banking business and expanded our high-end customer acquisition channel. We provide different services for customers in different wealth level by setting up VIP wealth management centers in our branches and sub-branches and Private Banking Business Department in our Head Office. Our private banking business has been widely recognized since commencement and was awarded "2015 Hurun Best of the Best City Commercial Private Banking Best New Arrival (2015年胡潤百富至尚優品城商行私人銀行新秀獎)" by Hurun Report, "Best Local Private Banking 2015 (2015年度最佳本土私人銀行)" by *Guangzhou Daily* (《廣州日報》) and "2016 Best Wealth Management Brand among all City Commercial Banks (Rural Commercial Banks) in China (2016 中國最佳城商行（農商行）理財品牌)" by *Security Times*.

Our retail banking business has experienced a rapid growth in recent years. In 2014, 2015 and 2016, the operating income from our retail banking business amounted to RMB5,940 million, RMB6,161 million and RMB5,972 million, respectively, accounting for approximately 42.9%, 38.0% and 39.2%, of our operating income, respectively. Our personal loans increased from RMB61,650 million as of December 31, 2014 to RMB81,328 million as of December 31, 2016 at a CAGR of 14.9%, while our personal deposits grew steadily from RMB170,379 million as of December 31, 2014 to RMB191,639 million as of December 31, 2016 at a CAGR of 6.1%. As of December 31, 2014 and 2015 and 2016, the balance of personal loans accounted for approximately 33.1%, 32.5% and 33.1% of our balance of total loans, respectively, and our personal deposits accounted for approximately 48.1%, 46.5% and 45.2% of our total deposits, respectively. Our retail banking business has been well recognized in recent years. In July 2016, we were awarded "2016 Most Promising Retail Bank (2016最具發展潛力零售銀行)" in the "2016 Golden Goblet Prize for PRC Asset Management (2016中國資產管理（金貝獎）)" event organized by the *21st Century Economic Daily* (《21世紀經濟報道》).

Major Products and Services

Personal Loans

As of December 31, 2014, 2015 and 2016, our personal loans amounted to RMB61,650 million, RMB72,680 million and RMB81,328 million, respectively, accounting for approximately 33.1%, 32.5% and 33.1% of our total loans to customers, respectively.

We offer specially-designed loans to two groups of customers including rural and urban residents to meet their financing demands in property purchasing, personal consumption, working capital and other activities. We provide personal loans through image transmission, stream-lined operation and an e-approval system to satisfy financing needs of our customers in a timely manner. We also provide advanced loan services to private business owners, such as "Sun Finance (太陽金融)", a comprehensive financing product portfolio for small and micro customers, which has effectively solved their financing problems through IPC cross-checking technology and flexible mortgage. In addition, we also offer unsecured consumption loans, which is characterized by convenient application procedure and quick loan-granting to cater to funding demands of specific retail customers.

The following table sets forth our personal loans by product type as of the dates indicated.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Residential mortgage loans	25,164	40.8%	26,882	37.0%	34,016	41.8%
Personal business loans	29,026	47.1	32,566	44.8	28,946	35.6
Personal consumption loans	4,597	7.5	8,971	12.3	11,936	14.7
Credit card balances	2,863	4.6	4,261	5.9	6,430	7.9
Total personal loans	**61,650**	**100.0%**	**72,680**	**100.0%**	**81,328**	**100.0%**

Residential Mortgage Loans

We offer retail customers residential mortgage loans for the purchase of both new and second-hand properties. As of December 31, 2016, we ranked fifth amongst all commercial banks in Guangzhou, in terms of the amount of residential mortgage loans, after the largest four state-owned commercial banks namely, Industrial and Commercial Bank of China, Bank of China, China Construction Bank and Agricultural Bank of China.

As of December 31, 2014, 2015 and 2016, our residential mortgage loans amounted to RMB25,164 million, RMB26,882 million and RMB34,016 million, respectively, accounting for approximately 40.8%, 37.0% and 41.8% of our total personal loans, respectively.

Personal Business Loans

We provide RMB denominated personal business loans to private business owners for their production and operations. Our personal business loans may be secured by various means and the repayment terms are relatively long. Moreover, we have offered a series of products under the "Sun • Convenient Agricultural Loans (太陽 • 農易貸)" for our customers in rural areas in 2016. One of the products is "Convenient Agricultural Business Loan (農易經營貸)" which features flexible security and repayment methods. We have also established Small and Micro Finance Centers under branches and sub-branches for loans to small and micro customers which are responsible for providing personal business loans in addition to loans to small and micro enterprises.

We have developed a diversified financial products portfolio for private business owners to meet their differentiated capital demands. See "—Corporate Banking Business—Major Products and Services—Corporate Loans—Corporate Loans by Customer Size—Loans to Small and Micro Enterprises" for details. We have continuously developed and improved our financial products for our small and micro customers in order to improve the competitiveness and increase the market share of our personal business loans. In order to improve our customer experience and loyalty, we developed online financing products and established a tracking and feedback mechanism in 2016.

As of December 31, 2014, 2015 and 2016, our personal business loans amounted to RMB29,026 million, RMB32,566 million and RMB28,946 million, respectively, accounting for approximately 47.1%, 44.8% and 35.6% of our total personal loans, respectively.

Personal Consumption Loans

We offer personal consumption loans under our brand "Consumption Loan Facilitator (消貸通)" to our retail customers. We provide these RMB loans to borrowers for their specific spending purposes, such as house-building, decoration, buying cars, studying abroad, traveling, medical services and shopping. Our "Consumption Loans Facilitator (消貸通)" is featured with wide applications, long repayment term and high credit lines. Such loan has a maximum repayment term of 10 years and the credit line is up to RMB10 million. We also accept various types of securities, including mortgage, pledge and guarantee. In addition, we launched "Credit Quick Loans (信用快貸)" in 2014 for customers who cannot provide collateral and have urgent funding needs. We also launched "Online Quick Loan (線上快貸)" in 2015 for existing mortgage and payroll service customers, which offers unsecured personal consumption loan through online and systematic approval procedures. Such product allows the application, approval and extension of consumption loans online. As of December 31, 2016, the total loans granted under "Online Quick Loan" amounted to RMB42.4 million, with an NPL ratio of 0.15% and an annualized yield of over 8.0%. In July 2016, we launched "Direct Quick Loan (直銷快貸)" based on "Online Quick Loan," targeting employees of housing provident fund in Guangzhou, in-service students of Guangzhou Distance Education Center and individual income tax payers in Guangdong Province, which enables the online application, intelligent approval and automatic extension of consumption loans through big-data information system. We have established a self-service consumption loan platform for standard small loans. Leveraging on the publicity of our online service platform, we provide personal customers in China with rapid and convenient online financing services. We are able to achieve cross-regional business development. Through optimizing big-data and face recognition technology and by means of the "white-list (白名單)" customer onboarding model developed by us, we are able to control our risks effectively.

As of December 31, 2014, 2015 and 2016, our personal consumption loans amounted to RMB4,597 million, RMB8,971 million and RMB11,936 million, respectively, accounting for approximately 7.5%, 12.3% and 14.7% of our total personal loans, respectively.

Credit Card Overdraft

We provide our credit card users with consumption, transfer and cash-withdrawal services. As of December 31, 2014, 2015 and 2016, our credit cards balances amounted to RMB2,863 million, RMB4,261 million and RMB6,430 million, respectively, accounting for approximately 4.6%, 5.9% and 7.9% of our total personal loans, respectively.

Personal Deposits

We offer retail customers a variety of demand deposits and time deposits. The following table sets forth our personal deposits by term as of the dates indicated.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Demand deposits	64,375	37.8%	71,171	39.1%	81,439	42.5%
Time deposits	106,004	62.2	110,714	60.9	110,200	57.5
Total personal deposits	**170,379**	**100.0%**	**181,885**	**100.0%**	**191,639**	**100.0%**

As of December 31, 2014 and 2015 and 2016, our personal deposits amounted to RMB170,379 million, RMB181,885 million and RMB191,639 million, respectively, accounting for approximately 48.1%, 46.5% and 45.2%, respectively, of our total deposits. The balances of our personal deposits ranked fourth among all the commercial banks in Guangzhou as of December 31, 2016.

Bank Card Services

We provide our retail customers with credit cards, debit cards and POS settlement business as well as other bank card services.

Credit Card

We have launched 12 types of "Sun" UnionPay credit cards (「太陽」銀聯信用卡) and two types of "Sun" VISA credit cards (「太陽」VISA 信用卡) for personal customers of different credit levels and consumption preferences. We offer our customers with differentiated value-added services, including installments, designated merchants with special offering, catering and transportation. We provide our credit cardholders with spending, transfer and settlement and cash deposit/withdrawal and other banking services. In 2015, we issued our first VISA credit card, which further enriched varieties of our credit card product portfolio and enhanced our customer experience. In addition, our UnionPay credit card has the function of "Quick Pass," which is featured with small-amount fast payment characteristic based on NFC (near-field-communication) payment technology. Our credit cards include Common Card, Gold Card, Platinum Card and Diamond Card of different credit levels. Holders of different cards enjoy special services provided by China UnionPay, VISA and us.

We have launched products specifically for general public customers, mid- to high-end customers and high income customers based on the classifications of target customers and markets. We have successively launched more than 10 types of credit cards, including "Qian Qian Card (錢錢卡)", "Quan Fei Card (全飛卡)," "Quan Le Card (全樂卡)," "Quan Xing Card (全行卡)," "Quan Li Card (全利卡)" and have established a brand of "Sun Credit Card (太陽信用卡)." We also provide customers with a wide range of featured services such as earning one air-mile with a selection of 49 airlines for the spending of every RMB5, airport/high speed train VIP services, accident insurance of large-amount claims, roadside assistance, extra rewards and cash rebates. We were awarded "Best Credit Card Center in 2016" by *Information Times* (《信息時報》), "Special Contribution to the UnionPay Credit Card Business in 2016" by China UnionPay, and "Outstanding Contribution to the Promotion of UnionPay Credit Card in 2016" by China UnionPay Guangdong Branch.

As of December 31, 2014, 2015 and 2016, we had issued approximately 287,000, 585,000 and 983,000 credit cards, respectively, representing a CAGR of 85.1%. As of December 31, 2014, 2015 and 2016, our credit card balances amounted to RMB2,863 million, RMB4,261 million and RMB6,430 million, respectively.

Our credit card business income mainly includes annual fees, merchant rebates, cash withdrawal fees, other fee and commission income and interest income. For the years ended December 31, 2014, 2015 and 2016, operating income from our credit card business amounted to RMB233 million, RMB360 million and RMB545 million, respectively.

Debit Card

We issue "Sun" debit cards (「太陽」借記卡) to our retail customers with deposit accounts. Our debit card customers can enjoy various financial services, including deposits and withdrawal, ATM transactions, spending, payment and collection, telephone banking, mobile payments and Quick Pass. Based on deposits, loans and consumption rewards of each retail customer, we provide various exclusive services for customers by issuing "Private Bank Card (私人銀行卡)" and "Diamond Card (鑽石卡)" to high-end customers; three levels of VIP cards, namely "Platinum Card (白金卡)," "Gold Card (黃金卡)" and "Purple Card (紫金卡)," to eligible customers; potential VIP "Jin Mi Card (金米卡)" to our quality village customers. We actively promote the application of the debit IC card by offering specialized cards to various customers, such as "Easy Travel Card (暢行卡)" to car owners and commuters, "Sports Cards (運動卡)" to sports enthusiasts customers and payroll cards to employees of quality enterprises.

As of December 31, 2014, 2015 and 2016, we had issued a total number of debit cards of approximately 11.27 million, 12.41 million and 6.72 million, respectively. In 2014, 2015 and 2016, the total spending of our debit cards amounted to RMB48,811 million, RMB49,426 million and RMB43,070 million, respectively.

POS Settlement Business

We have entered into POS settlement cooperation agreements with designated merchants with special offering, pursuant to which we provide settlement services for them upon the completion of transactions between the designated merchants with special offering and our cardholders. We also assume various responsibilities, including merchant onboarding, risk management, merchant training and routine inspection. As of December 31, 2016, we had a total of 3,534 participating merchants and 6,914 POS terminals, mainly covering catering, property management, merchandise and automobile services.

Fee- and Commission-Based Retail Products and Services

Retail Wealth Management Services

As of December 31, 2016, to cater for our retail customers' different level of expected return and risk tolerance, we issued approximately 1,342 wealth management products including principal-protected products with non-guaranteed returns and non-principal-protected products with non-guaranteed returns, setting different minimum subscription fee, tenor as well as expected rate of return. Our wealth management products include six series of product, including "Sun Tianfu (太陽添富)," "Sun Jiafu (太陽嘉富)," "Sun Wenfu (太陽穩富)," "Sun Ririjin (太陽日日金)," "Exclusive Wenfu (尊享穩富)" and "Private Wenfu (私享穩富)." Among them, "Sun Tianfu" and "Sun Jiafu" are for first-time investors, which are all principal-protected with non-guaranteed returns and characterized by revolving issuance and automatic investment upon maturity; "Sun Wenfu" is characterized by simple investment rules, low investment threshold and low risk, which mainly targets general-public investors; "Sun Ririjin" is principal-protected products with non-guaranteed returns, allowing daily redemption application to meet the needs of investors with high liquidity demand; "Exclusive Wenfu" targets experienced investors, investing in both ordinary products and structured products with superior assets and layered leverage to control risks and to achieve high returns; "Private Wenfu" focuses on our high-end private banking customers, which allows our customers to tailor terms, investment portfolio and different risk level according to their investment preferences.

As of December 31, 2016, our Bank has cooperated with 19 Zhujiang County Banks to promote our wealth management products in provinces and municipality other than Guangdong Province and penetrate the local markets with products of stable and relatively high returns, facilitating the business development and expansion of the customer base of Zhujiang County Banks.

Our retail wealth management business has experienced rapid growth in recent years. In 2014, 2015 and 2016, the aggregate amount of wealth management products sold to our retail customers was RMB72,800 million, RMB76,242 million and RMB105,564 million, respectively. As of December 31, 2014, 2015 and 2016, the balance of the wealth management products sold to our retail customers was RMB20,332 million, RMB26,259 million and RMB39,263 million, respectively. As of December 31, 2016, we had approximately 150,000 retail wealth management customers. See "—Financial Market Business—Major Products and Services—Wealth Management for Customers" for details.

Other Fee- and Commission-Based Products and Services

Other products and services of our retail banking business consist primarily of agency services, payroll services, insurance agency services and fund agency services.

Agency services

We offer our retail customers a variety of agency services, including payment of utility bills (utilities including water, electricity, gas, telecommunication fees and cable TV), payment of social insurance, payment of traffic fines and payment of fees classified as non-tax fiscal revenue of Guangzhou government, so as to provide our personal customers with convenient and efficient services. We were one of the first four commercial banks in Guangzhou eligible to act as collecting agent for non-tax fiscal revenue of Guangzhou government.

Payroll services

We provide payroll services to government entities, enterprises and public institutions and their employees, depositing the salaries as demand deposits. We open personal accounts for and provide debit cards to employees of the entrusting entities to receive their salaries.

Insurance agency services

We are entrusted by insurance companies and assist them to sell insurance products to customers. These insurance companies then enter into insurance contracts with such customers. Retail customers may purchase life insurance and property insurance products through us. Life insurance consists of individual or group life insurance, accident and injury insurance and other life insurance products, while property insurance covers commercial property insurance, liability insurance, surety insurance, household property insurance and others. As of December 31, 2016, we were entrusted to sell 143 life insurance and property insurance products classified by names and terms of payment.

Fund agency services

We are entrusted by fund companies and assist them to sell fund products to customers. These fund companies then enter into fund sales contracts with such customers. Retail customers may purchase four types of fund products from us including monetary fund, bond fund, hybrid fund and equity fund. As of December 31, 2016, we had established cooperative relationship with 12 fund companies and distributed 423 fund products under such agency arrangement for them. We have implemented strict policies and procedures for the selection of fund companies, which include the execution of a series of agreements based on the prescribed procedures after verification of their qualifications, including but not limited to, the historical performance, scale and investment strategies of the relevant fund companies. Moreover, we keep track of the net value of the fund products distributed by us by carrying out regular review and evaluation on key fund products.

Financial Market Business

Overview

We have a long-standing focus on developing financial market business, including money market transactions, interbank deposit business, wealth management business, investment business, bill rediscounting and custody service. The Financial Market Department at our Head Office is responsible for the overall management of our financial market business and leads the Interbank Business Department, Asset Management Department, Fixed Income Department, Bill Business Department and Asset Custody Department, which are responsible for various businesses of our financial market business segment. We obtained the qualification for securities investment fund custody at the beginning of 2014, being the first rural commercial bank in China qualified for providing such service. We obtained the qualification for insurance asset custody in October 2015.

By leveraging our long-term relationship with other financial institutions, we have cooperated with policy banks, Large Commercial Banks, Nationwide Joint-stock Commercial Banks, city commercial banks, rural commercial banks and other banks. We have also cooperated with other non-bank financial institutions, including securities companies, trust companies, fund companies, asset management companies and financial leasing companies to achieve win-win situations through interbank lending, interbank deposits, bills rediscounting and interbank investment. As of December 31, 2016, we had built and maintained business relationships with more than 400 financial institutions in China. In addition, it is also part of our strategy to strengthen internal collaboration by promoting cooperation for the development of a comprehensive interbank banking among our business departments, branches, sub-branches and Zhujiang County Banks.

We are committed to developing our financial market business through our comprehensive interbank banking strategy. We plan to build a capital-light business model by strengthening our collaboration with other financial institutions in order to achieve effective information sharing, capital financing, product launch and innovation promotion. Capitalizing on the interbank cooperative financial platform, we expand and deepen our collaboration with other financial institutions, strengthen our collaboration in traditional investment business, and accelerate the innovation of our business. Since the financial market business is highly regulated, we plan to adjust our development plans for different products or services for our financial market business, such as interbank products and wealth management products, from time to time according to market conditions, regulatory environment and other relevant factors. See "Risk Factors — Risks Relating to the PRC Banking Industry — The PRC banking industry is highly regulated, and we are susceptible to the changes in laws, regulations and regulatory policies."

Facing with the accelerated growth of financial disintermediation resulting from speeded-up interest rate liberalization and rapid development of direct financing market, we are striving to developing comprehensive asset management. Taking the macroeconomic conditions and relevant regulatory policies into account, we have employed a range of market instruments, such as funds, securities, interest rates, exchange rates and stocks, to conduct investment business in response to customers' needs. We seek to broaden our revenue streams from innovative businesses by expanding channels of our asset management business. Underpinned by our distinctive marketing efforts, our focus on risk management and capital-light operation model, we have been able to build our asset management business brand in recent years.

Our financial market business has experienced rapid growth in recent years. In 2014, 2015 and 2016, operating income from our financial market business amounted to RMB2,650 million, RMB3,979 million and RMB2,621 million, respectively, accounting for approximately 19.1%, 24.5% and 17.2% of our operating income, respectively.

Major Products and Services

Money Market Transactions and Interbank Deposit Business

Our money market transactions and interbank deposit business includes: (i) interbank placement, which includes short-term interbank borrowing and mid- to long-term interbank lending; (ii) repurchase business with other onshore commercial banks and non-bank financial institutions, which includes bonds and bills repurchase and reverse repurchase transactions; and (iii) interbank deposit business, which includes deposits with other banks and deposits from other financial institutions. As of December 31, 2014, 2015 and 2016, the total balance of our bonds held under reverse repurchase agreements, bills held under reverse repurchase agreements, deposits with banks and other financial institutions and placements with banks and other financial institutions was approximately RMB104.1 billion, RMB85.3 billion and RMB102.3 billion, respectively, accounting for approximately 22.3%, 14.6% and 15.5% of our total assets, respectively. As of the same dates, the total balance of our bonds sold under repurchase agreements, bills sold under repurchase agreements, deposits from banks and other financial institutions and placements from banks and other financial institutions was approximately RMB57.7 billion, RMB116.5 billion and RMB84.0 billion, respectively, accounting for approximately 13.3%, 21.3% and 13.5% of our total liabilities, respectively.

In recent years, our money market transactions trading volume has grown steadily with continuous improvement in financing efficiency and liquidity management. The steady growth in trading volume of our money market transactions has paved the way for expansion of our customer base. Our existing customer base covers all interbank market members, which has enhanced our influence in the interbank market. In 2014 and 2015, we were awarded the "Most Influential Award in the Interbank Renminbi Market (銀行間本幣市場最具市場影響力獎)" and the "Best Rural Financial Institution Award in the Interbank Renminbi Market (銀行間本幣市場最佳農村金融機構獎)" by the National Interbank Funding Center for two consecutive years.

Wealth Management for Customers

Our Asset Management Department is responsible for the development and design of wealth management products. Our Corporate Finance Department, Retail Finance Department and Asset Management Department, separately manage and sell our wealth management products to our corporate customers, retail customers and financial institution customers, respectively. As our designated department for wealth management for customers, the Asset Management Department primarily invests in standardized products with funds raised through our wealth management products. Our wealth management business has experienced a rapid growth in recent years. In 2014, 2015 and 2016, the total amount of our wealth management products issued was approximately RMB178,727 million, RMB228,773 million and RMB359,063 million, respectively, representing a CAGR of 41.7%. We do not offer wealth management products issued by other banks to our customers. See "—Corporate Banking Business—Major Products and Services—Fee- and Commission-based Corporate Products and Services—Corporate Wealth Management Business" and "—Retail Banking

Business—Major Products and Services—Fee- and Commission-based Retail Products and Services—Retail Wealth Management Services" for details of our corporate wealth management business and retail wealth management business.

We have designed and provided a variety of wealth management products to corporate, retail, private banking customers and financial institution customers to meet their various demands. To satisfy our customers' demands for differentiated wealth management products, our business departments regularly identify customers' demands and deliver such information to our Asset Management Department, which designs wealth management products accordingly. We provide our customers with open-ended and close-ended, principal-protected and non-principal-protected wealth management products with tenors ranging from one day to two years. During the Track Record Period, the tenors of the majority of wealth management products we issued ranged from three months to twelve months. As of December 31, 2014, 2015 and 2016, the balance of our wealth management products amounted to RMB63,445 million, RMB83,410 million and RMB172,418 million, respectively, the balance of our principal-protected wealth management products amounted to RMB33,978 million, RMB40,372 million and RMB37,598 million, respectively, and the balance of our non-principal-protected wealth management products amounted to RMB29,467 million, RMB43,038 million and RMB134,820 million, respectively.

In recent years, our wealth management business has gained increasing influence within the interbank market and social recognition. We ranked first among all rural commercial banks in China in 2016 in terms of overall wealth management capability according to the "Bank's Capability in Wealth Management Ranking" published by PY Standard. In addition, we were awarded the "Best Wealth Management Bank Award (最佳財富管理銀行獎)" in China Financial Value Ranking 2016 by "*China Business Network* (第一財經)"and our "Sun Wealth Management (太陽理財)" was awarded "2016 Best Wealth Management Brand among all City Commercial Banks (Rural Commercial Banks in China) (2016 中國最佳城商行（農商行）理財品牌)" by *Securities Times* (《證券時報》). We also received 2015 Top 10 Innovative Wealth Management Award by *The Banker (China)* and "Most Popular Wealth Management Business" in "Gold Banyan Award of 2016 • Nanfang Financing of the Year" awarded by *Nanfang Daily* (《南方日報》).

In 2014, 2015 and 2016, the average size of each tranche of wealth management products we issued was approximately RMB178 million, RMB187 million and RMB222 million, respectively. The following table sets forth the distributions of aggregate amounts of wealth management products we issued by size during the periods indicated.

	For the year ended December 31,					
	2014		2015		2016	
	Number of tranches issued	Amount	Number of tranches issued	Amount	Number of tranches issued	Amount
	(in millions of RMB, except the number of tranches)					
Up to RMB 10 million	9	40	1	8	17	50
Over RMB 10 million to RMB 50 million	227	8,143	278	10,278	402	14,906
Over RMB 50 million to RMB 100 million	283	21,016	365	27,114	402	30,380
Over RMB 100 million to RMB 500 million	428	101,609	501	121,402	664	163,817
Over RMB 500 million	58	47,919	78	69,971	135	149,810
Total	**1,005**	**178,727**	**1,223**	**228,773**	**1,620**	**359,063**

We classify the wealth management products issued by us into five categories based on their risk levels according to the *Measures for the Administration of the Sale of Wealth Management Products of Commercial Banks* (CBRC Order [2011] No. 5) promulgated by CBRC in 2011. The following table sets forth the distributions by risk level of wealth management products issued by us during the periods indicated, wherein, the risk profiles for level 1, level 2, level 3, level 4 and level 5 represent low risks, medium-to-low risks, medium risks, medium-to-high risks and high risks, respectively. Products of level 1 are principal-protected products with non-guaranteed returns, while products of other levels are non-principal-protected products with non-guaranteed returns. We conduct comprehensive assessment on customers who purchase our wealth management products, including their risk tolerance and investment experience. Moreover, we will raise assessment criteria corresponding to the risk level (i.e. 1-5) of products they purchase and our customers' investment risks and their investment threshold will also increase with the levels' moving up. In 2016, the volume of our high risk wealth management products issued increased significantly due to customers' higher demand for wealth management products with relatively higher return and higher risks recently.

	For the year ended December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Level 1	117,557	65.7%	144,576	63.2%	150,251	41.8%
Level 2	42,988	24.1	64,143	28.0	101,992	28.4
Level 3	0	0	510	0.2	0	0
Level 4	7,877	4.4	5,012	2.2	198	0.1
Level 5	10,305	5.8	14,532	6.4	106,622	29.7
Total	**178,727**	**100.0%**	**228,773**	**100.0%**	**359,063**	**100.0%**

During the Track Record Period and as of the Latest Practicable Date, all wealth management products issued by us performed well, the payment of principal and interest of which had been made when due without any default. In accordance with CBRC's requirements, we manage each of our wealth management products independently through separate accounts and book-keeping, with each of our wealth management products matching its respective underlying investment.

Due to customers' demand and market conditions, except for interbank wealth management products, most of the wealth management products issued by us have maturities from one month to six months. On the other hand, most of the assets available on the market which can satisfy the return of our wealth management products generally have maturities from one year to three years. As such, there is maturity mismatch between the wealth management products issued by us and our invested assets.

We take the following measures, among others, to resolve the mismatch in maturities of our wealth management products and its underlying investment and effectively manage the relevant liquidity risks:

- we continuously issue new wealth management products to match the maturities of the invested assets;
- we adopt reasonable planning for long-term and short-term investment arrangements and issuance plans for our wealth management products and strive to issue long-term wealth management products to minimize the proportion of maturity mismatch in our investment portfolios;
- we make reasonable arrangements for the duration and proportion of different assets;

- we impose quota control for the maturing wealth management products issued by us and also impose limit on the liquidity gap we are exposed to. We focus on monitoring the liquidity gap at key dates such as the end of each quarter and the end of each year; and
- we include a certain proportion of high liquidity assets in our investment portfolios, such as reverse repurchase, money market funds and high credit-rating bonds.

In addition, we include the liquidity risk management of our wealth management products in the overall liquidity risk management system of our Bank. We have also formulated contingency plans for the liquidity risk management of our wealth management products to ensure that the risks arising from maturity mismatch is under control.

We primarily invest the funds from the sale of our wealth management products in money market instruments, debt securities, non-standard credit assets and equity products. The following table sets forth, as of the dates indicated, the distribution of our wealth management products by the usage of funds.

	As of December 31					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Money market instruments	22,549	37.6%	36,028	42.8%	89,316	51.3%
Debt securities	22,340	37.3	22,462	26.7	18,692	10.7
Non-standard credit assets	3,950	6.6	965	1.1	1,323	0.8
Equity products	11,055	18.5	24,705	29.4	64,867	37.2
Total	**59,894**	**100.0%**	**84,160**	**100.0%**	**174,198**	**100.0%**

Investment Business

We invest in debt securities issued by various types of issuers, as well as other debt instruments issued by financial institutions, including asset management plans, trust fund plans and wealth management products issued by other financial institutions. In addition, we also trade in certain debt securities and money market funds. As of December 31, 2014, 2015 and 2016, our net holding of financial investments amounted to RMB94,728 million, RMB137,694 million and RMB190,073 million, respectively, and our financial assets at fair value through profit or loss amounted to RMB1,470 million, RMB51,810 million and RMB35,980 million, respectively, together represented 20.6%, 32.5% and 34.2%, respectively, of our total assets as of the same dates. The following table sets forth, as of the dates indicated, a breakdown of the total balance of our holding of financial investments and financial assets at fair value through profit or loss into standard investment products and non-standard credit assets.

	As of December 31,											
	2014				2015				2016			
	Amount	% of total	% of net assets	% of total assets	Amount	% of total	% of net assets	% of total assets	Amount	% of total	% of net assets	% of total assets
	(in millions of RMB, except percentages)											
Standard investment products[(1)]	87,215	90.7%	267.6%	18.7%	182,134	96.1%	510.3%	31.2%	214,409	94.8%	566.6%	32.4%
Non-standard credit assets[(2)]	8,983	9.3	27.6	1.9	7,370	3.9	20.6	1.3	11,644	5.2	30.8	1.8
Total[(3)]	**96,198**	**100.0%**	**295.2%**	**20.6%**	**189,504**	**100.0%**	**530.9%**	**32.5%**	**226,053**	**100.0%**	**597.4%**	**34.2%**

(1) Represents our holding of standard investment assets, such as debt securities, for investment and trading purposes.
(2) Represents our holding of non-standard credit assets for investment and trading purposes, primarily including financing to one or multiple identifiable borrowers or portfolios of credit assets with lending nature.
(3) Represents the total balance of our financial investments and financial assets at fair value through profit or loss.

Income from our investment business primarily include interest income from our financial investments, net trading income and net gains from financial investments, which in aggregate amounted to RMB6,173 million, RMB7,497 million and RMB8,626 million in 2014, 2015 and 2016, respectively. The following table sets forth, for the years indicated, a breakdown of our income from our investment business.

	For the year ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Interest income from financial investments	6,076	5,988	7,189
Net trading income	95	551	986
Net gains from financial investments	2	958	451
Total	**6,173**	**7,497**	**8,626**

The following table sets forth, for the years indicated, a breakdown of our income from our holding of standard investment products and non-standard credit assets and their respective average rate of return.

	For the year ended December 31,								
	2014			2015			2016		
	Amount	% of total	Average rate of return(1)	Amount	% of total	Average rate of return(1)	Amount	% of total	Average rate of return(1)
	(in millions of RMB, except percentages)								
Standard investment products(2)	4,953	80.2%	6.73%	6,813	90.9%	5.06%	8,133	94.3%	4.10%
Non-standard credit assets(3)	1,220	19.8	4.95	684	9.1	8.37	493	5.7	5.19
Total(4)	**6,173**	**100.0%**	**6.28%**	**7,497**	**100.0%**	**5.25%**	**8,626**	**100.0%**	**4.15%**

(1) Calculated by dividing (i) our income from the corresponding assets in the year, by (ii) the average balance of these assets at the beginning and the end of the year. The average rate of return for our financial investments backed by non-standard credit assets in 2014 is substantially lower than those in 2015 and 2016, because we disposed certain of these financial investments in 2014 prior to their maturity due to tightened regulatory restrictions, resulting in a substantial difference between the daily average balance and the average of the balances at the beginning and the end of 2014.

(2) Represents income from our holding of standard investment products for both investment and trading purposes.

(3) Represents income from our holding of non-standard credit assets for both investment and trading purposes.

(4) Represents our total income from our investment business for the year, including our interest income, net trading income and net gains on financial investments.

In 2014, 2015 and 2016, our income from financial investments backed by non-standard credit assets represented 19.8%, 9.1% and 5.7%, respectively, of our total income from our investment business. The decrease in our income from these financial investments as a percentage of our total income from our investment business was primarily due to our increased allocation of funds to standard investment products and an overall decrease in our holding of financial investments backed by non-standard credit assets as a result of tightened regulatory restrictions, as well as a decrease in the rates of return on these financial investments. The average rate of return on these financial investments backed by non-standard credit assets was approximately 4.95%, 8.37% and 5.19% in 2014, 2015 and 2016, respectively. Given that these financial investments backed by non-standard credit assets remained a low percentage of our investment business, and our income from these financial investments continued to decrease as a percentage of our total income from our investment business, we believe that these financial investments do not constitute a significant part of our investment business.

Investment in Debt Securities

Investment in debt securities is the core business of our Fixed Income Department. We mainly invest in debt securities issued by PRC governments and PRC policy banks with relatively high liquidity. We also invest in debt securities issued by other PRC banks and financial institutions and PRC corporates with a focus on those with high coupon rates and low capital-at-risk, which are primarily interbank certificates of deposit, to strictly control our credit risks. We adjust our investment strategy and seize the investment opportunities in the bond market based on analysis of macroeconomics and interest rate trends. In 2014, 2015 and 2016, income from our investment in debt securities was RMB1,995 million, RMB4,560 million and RMB4,057 million, respectively.

As of December 31, 2014, 2015 and 2016, the balance of our total debt securities investment amounted to RMB55,429 million, RMB83,736 million and RMB90,709 million, respectively, representing a CAGR of 27.9%. The table below sets forth the distribution of our debt securities investment by issuers as of the dates indicated below.

	As of December 31,		
	2014	2015	2016
	(in millions of RMB)		
PRC governments[(1)]	25,452	26,403	21,040
PRC policy banks[(1)]	15,751	34,018	48,727
Other PRC banks and financial institutions[(1)]	5,326	11,607	12,453
PRC corporates[(1)]	8,900	11,708	8,489
Total debt securities investment[(1)]	**55,429**	**83,736**	**90,709**

(1) Include debt securities investments classified as financial assets held for trading and investment purpose.

The number of our debt securities counterparties has been increasing and the settlement volume of debt securities has recorded a rapid growth. In 2014, 2015 and 2016, the volume of our debt securities settled through China Central Depository & Clearing Co., Ltd. (including debt securities investments classified as financial assets held for trading and investment purpose) amounted to RMB5.4 trillion, RMB8.9 trillion and RMB6.5 trillion, respectively, ranking first, first and fourth among all rural commercial banks in China, respectively.

We invested in two series of one year term private debt financing instruments (the "Two Series of Bonds") issued by Shanghai Yunfeng (Group) Co., Ltd. (上海雲峰 (集團) 有限公司) (the "Yunfeng Group") in May and October 2015, respectively, with an aggregate principal amount of RMB400 million. We exercised our right of redemption in accordance with the terms of the Two Series of Bonds in 2016 before the maturity of the Two Series of Bonds. Due to the failure of Yunfeng Group to redeem the Two Series of Bonds, we filed arbitral proceedings to request Yunfeng Group repaying the principal and accrued interests. Our request was supported by the arbitral award granted on December 2, 2016. We applied for enforcement of the arbitral award to the local court on January 12, 2017 to request Yunfeng Group repaying the principal and interest and other related expenses under the Two Series of Bonds and the case is under the court's enforcement process as of the Latest Practicable Date. Our investments in the Two Series of Bonds were booked as financial assets at fair value through profit or loss in accordance with applicable accounting principles. According to the appraisal on the Two Series of Bonds made by a third party appraisal institution in 2016, we recorded an unrealized trading loss of approximately RMB196 million in 2016, which was charged to our consolidated income statements in 2016. Our investments in the Two Series of Bonds were made in strict compliance with our standard bond investment approval procedures and we had taken into account the qualification and shareholder background of the issuer, the ratings of the bonds, the qualification of the lead underwriter and other factors. The book value of our investment in the Two Series of Bonds accounted for approximately 0.2% of the balance of our total debt securities investment as of December 31, 2016. We believe that our investment in the Two Series of Bonds had a very limited impact on our bond investment business and our overall financial position. We will continue to exercise our right as the creditor under the Two Series of Bonds against Yunfeng Group in accordance with the applicable PRC laws, and take all necessary measures to protect interests of our Bank.

During the Track Record Period, there was no material default on our investment in debt securities.

Investments in Other Debt Instruments Issued by Financial Institutions

In order to diversify our investment portfolio, increase our source of income, strengthen our cooperation with other financial institutions and enhance our brand recognition among financial institutions, we also invest in other debt instruments issued by financial institutions, which include asset management plans, trust fund plans and wealth management products issued by other financial institutions. Our aforementioned investments also include investments in other debt instruments issued by financial institutions we held for trading purposes.

As of December 31, 2014, 2015 and 2016, our investment in asset management plans, trust fund plans and wealth management products issued by other financial institutions in aggregate was RMB40,718 million, RMB86,263 million and RMB106,903 million, respectively, representing 8.7%, 14.8% and 16.2% of our total assets, respectively. As of the same dates, the underlying assets for RMB8,983 million, RMB7,370 million and RMB11,644 million, respectively, of these investments were classified as non-standard credit assets, which primarily included financing to one or multiple identifiable borrowers or a portfolio of credit assets with lending nature. These investments with non-standard credit assets as underlying assets represented 22.1%, 8.5% and 10.9% of our total investment in other debt instruments issued by financial institutions as of December 31, 2014, 2015 and 2016, respectively. For the remaining of our investment in these other debt instruments issued by financial institutions, the underlying assets were standard credit assets such as debt securities, interbank deposits, as well as portfolios of standard credit assets actively managed by the financial institutions issuing these debt instruments.

Since the commencement of our investment business in other debt instruments issued by financial institutions, we have formulated various policies and procedures that are independent from those for deposit and loan business, designated business departments and independent approval channels for these investments responding to changing market conditions and regulatory policies. We have also implemented end-to-end risk management policies and procedures for our investment in other debt instruments issued by financial institutions.

For our investment in other debt instruments where the funds are on-lent to one or multiple identifiable borrowers, we perform credit review and approval process on the ultimate borrowers. For our investment in other debt instruments with standard credit assets as underlying assets or backed by a portfolio of credit asset managed by other financial institutions, we require financial institutions issuing these other debt instruments, such as securities companies, fund companies and trust companies, to obtain credit approval from us before acting as our manager/trustee for the asset management plans or trust fund plans. Such managers are also required to obtain approvals from the competent regulatory authorities and shall be independent legal entities which are permitted by law to engage in relevant financial business. We require such managers to have an operating track record of no less than one year in the case of domestic financial institutions, or, for overseas financial institutions, no less than five years and to be incorporated in a country or region without strict foreign exchange control. We also require such financial institutions to have sound operational and financial conditions. In addition, we have also set various requirements on the managers, including the size of entrusted assets of trust companies, the regulatory rating of securities companies and the size of assets under management of fund companies and asset management companies. We have also stipulated that our entrustment with such entities shall be revoked or canceled under specific conditions.

To manage the liquidity risks arising from the possible failure to timely dispose our investment in debt instruments issued by other financial institutions, we have formulated specific guidelines on warning of liquidity risks and corresponding contingency plans. Based on such guidelines, our major measures in response to different warning levels of liquidity risk are as follows:

- suspension of loan extension; stabilizing and increasing our source of funds through financing from the interbank market; increasing our surplus reserve and lowering the exposure of short-term asset and liability gap to enhance asset liquidity;
- maintenance of the liquidity position through cashing debt securities assets and recovering interbank deposits in advance, among others; and
- application for bills rediscounting to the local branches of the PBoC, liaising with other banks for the repurchase or transfer of credit assets, disposing of repossessed assets and applying for the utilization of statutory deposit reserves, among others.

In 2014, 2015 and 2016, interest income generated from our investments in other debt instruments issued by financial institutions was RMB4,176 million, RMB2,814 million and RMB4,048 million, respectively. During the Track Record Period, there was no material default on our investments in these products.

We evaluate and classify the risks of relevant underlying assets of other debt instruments issued by financial institutions and conduct the risk management of our investment accordingly. The following table sets forth the breakdown of our investment in asset management plans, trust fund plans and wealth management products issued by other financial institutions by relevant underlying assets as of December 31, 2016.

	As of December 31, 2016				
	Asset management plans	Trust fund plans	Wealth management products issued by other financial institutions	Total	% of total
	(in millions of RMB, except percentages)				
Debt securities	27,910	816	—	28,726	26.9%
Interbank deposits	52,507	—	—	52,507	49.1
Asset pools/ fund pools[(1)]	7,034	1,020	—	8,054	7.5
Share of collective trusts	—	668	—	668	0.6
Fixed-income debt assets	5,095	3,705	—	8,800	8.2
Wealth management products issued by banks	3,493	—	3,201	6,694	6.3
Others	1,453	—	—	1,453	1.4
Total	**97,492**	**6,210**	**3,201**	**106,903**	**100.0%**

(1) Represent the portfolios which are managed by securities companies, asset management companies and trust companies on a discretionary basis, primarily including bond repurchase, bank deposits, money market fund, bonds with a rating of "AA" or above and fixed income debt assets.

As of December 31, 2016, RMB11,644 million, or 10.9%, of our investments in other debt instruments issued by financial institutions were backed by non-standard credit assets, which primarily included financing to one or multiple identifiable borrowers or a portfolio of credit assets with lending nature. Among these other debt instruments, RMB8,800 million (representing 8.2% of our investments in other debt instruments issued by financial institutions as of December 31, 2016) were backed by fixed-income debt assets, the underlying funds of which were on-lent to identifiable ultimate borrowers. For the remaining of these other debt instruments backed by non-standard credit assets, the underlying assets consisted primarily of portfolios of credit assets with lending nature managed by other financial institutions.

The following table sets forth the breakdown of our investment in asset management plans, trust fund plans and wealth management products issued by other financial institutions by types of collaterals as of December 31, 2016.

	As of December 31, 2016				
	Asset management plans	Trust fund plans	Wealth management products issued by other financial institutions	Total	% of total
	(in millions of RMB, except percentages)				
Secured[(1)]					
Mortgaged with land or properties	1,884	860	—	2,744	2.6%
Pledged with equity interests in listed companies	—	1,400	—	1,400	1.3
Pledged with equity interests in non-listed companies	100	—	—	100	0.1
Third-party guarantee from listed companies	—	500	—	500	0.5
Third-party guarantee from non-listed companies	370	523	—	893	0.8
Subtotal	**2,354**	**3,283**	**—**	**5,637**	**5.3**
Unsecured					
Securities companies	29,140	—	—	29,140	27.3
Asset management companies	64,506	—	—	64,506	60.3
Fund companies	1,491	—	—	1,491	1.4
Trust companies	—	2,926	—	2,926	2.7
Banks	—	—	3,201	3,201	3.0
Subtotal	**95,138**	**2,926**	**3,201**	**101,266**	**94.7**
Total	**97,492**	**6,210**	**3,201**	**106,903**	**100.0%**

(1) Assets that are secured by mortgage and third-party guarantee simultaneously are classified under mortgage. Assets that are secured by pledge and third-party guarantee simultaneously are classified under pledge. Assets that are secured by third-party guarantee from companies and individuals simultaneously are classified under company guarantee.

The following table sets forth, as of December 31, 2016, the breakdown of our investments in asset management plans, trust fund plans and wealth management products issued by other financial institutions by industry in which the funds were invested in.

	As of December 31, 2016				
	Asset management plans	Trust fund plans	Wealth management products issued by other financial institutions	Total	% of total
	(in millions of RMB, except percentages)				
Finance	94,035	2,826	3,201	100,062	93.6%
Technology services	220	1,400	—	1,620	1.5
Real estate	1,100	—	—	1,100	1.0
Warehousing	934	—	—	934	0.9
Leasing and commercial services	—	860	—	860	0.8
Manufacturing	—	178	—	178	0.2
Others	1,203	945	—	2,148	2.0
Total	**97,492**	**6,210**	**3,201**	**106,903**	**100.0%**

As of December 31, 2016, 93.6% of the funds under our investment in other debt instruments issued by financial institutions were invested in the finance industry, among which RMB4,806 million was invested in non-standard credit assets, representing 4.5% of our total investment in other debt instruments issued by financial institutions as of the same date. The underlying assets for the remaining significant majority of our investment in these other debt instruments was backed by standard investment products (such as interbank deposits) with financial institutions as obligors, or portfolios of financial assets (such as bond repurchases, money market instruments and debt securities) actively managed by other financial institutions, both of which do not involve identifiable corporate borrowers.

The table below sets forth the five largest borrowers under our investment in asset management plans as of the dates indicated.

	As of December 31, 2014		
	Industry	**Amount**	**% of investments in asset management plans**
	(in millions of RMB, except percentages)		
Borrower A	Finance	6,466	21.7%
Borrower B	Finance	5,214	17.5
Borrower C	Finance	3,000	10.1
Borrower D	Finance	1,285	4.3
Borrower E	Finance	1,230	4.1
Total		**17,196**	**57.7%**

	As of December 31, 2015		
	Industry	**Amount**	**% of investments in asset management plans**
	(in millions of RMB, except percentages)		
Borrower B	Finance	14,206	17.9%
Borrower F	Finance	12,008	15.1
Borrower G	Finance	12,002	15.1
Borrower H	Finance	7,150	9.0
Borrower A	Finance	6,639	8.4
Total		**52,005**	**65.6%**

	As of December 31, 2016		
	Industry	**Amount**	**% of investments in asset management plans**
	(in millions of RMB, except percentages)		
Borrower B	Finance	20,924	21.5%
Borrower H	Finance	7,945	8.1
Borrower E	Finance	7,132	7.3
Borrower F	Finance	6,577	6.7
Borrower I	Finance	5,748	5.9
Total		**48,326**	**49.6%**

The table below sets forth the five largest borrowers under our investment in trust fund plans as of the dates indicated.

	As of December 31, 2014		
	Industry	Amount	% of investments in trust fund plans
	(in millions of RMB, except percentages)		
Borrower A	Finance	2,000	21.1%
Borrower B	Finance	994	10.5
Borrower C	Conglomerate	850	9.0
Borrower D	Finance	800	8.4
Borrower E	Finance	799	8.4
Total		**5,443**	**57.4%**

	As of December 31, 2015		
	Industry	Amount	% of investments in trust fund plans
	(in millions of RMB, except percentages)		
Borrower F	Finance	1,000	17.6%
Borrower D	Finance	800	14.0
Borrower G	Leasing and commercial services	600	10.5
Borrower H	Finance	500	8.8
Borrower I	Finance	500	8.8
Total		**3,400**	**59.7%**

	As of December 31, 2016		
	Industry	Amount	% of investments in trust fund plans
	(in millions of RMB, except percentages)		
Borrower J	Information Technology	1,400	22.5%
Borrower G	Leasing and commercial services	860	13.8
Borrower K	Finance	570	9.2
Borrower F	Finance	500	8.1
Borrower L	Finance	500	8.1
Total		**3,830**	**61.7%**

The table below sets forth the five largest borrowers under our investment in wealth management products issued by other financial institutions as of the dates indicated.

	As of December 31, 2014		
	Industry	Amount	% of investments in wealth management products issued by other financial institutions
	(in millions of RMB, except percentages)		
Borrower A	Finance	1,432	100.0%
Total		**1,432**	**100.0%**

	As of December 31, 2015		
	Industry	Amount	% of investments in wealth management products issued by other financial institutions
	(in millions of RMB, except percentages)		
Borrower B	Finance	1,261	100.0%
Total		**1,261**	**100.0%**

	As of December 31, 2016		
	Industry	Amount	% of investments in wealth management products issued by other financial institutions
	(in millions of RMB, except percentages)		
Borrower C	Finance	1,000	31.2%
Borrower D	Finance	1,000	31.2
Borrower E	Finance	700	21.9
Borrower F	Finance	300	9.4
Borrower G	Finance	200	6.2
Total		**3,200**	**99.97%**

The following table sets forth, as of December 31, 2016, the breakdown of our asset management plans, trust fund plans and wealth management products issued by other financial institutions by remaining maturity.

	As of December 31, 2016							
Item	Overdue	Repayable on demand	Due within 1 month	Due between 1 month to 3 months	Due between 3 months to 1 year	Due between 1 year to 5 years	Due over 5 years	Total
	(in millions of RMB)							
Asset management plans	1,100	—	1,713	9,572	49,139	35,968	—	97,492
Trust fund plans	478	—	189	1,360	2,066	2,117	—	6,210
Wealth management products issued by other financial institutions	—	1	—	1,400	1,800	—	—	3,201
Total	**1,578**	**1**	**1,902**	**12,332**	**53,005**	**38,085**	**—**	**106,903**

Asset management plans

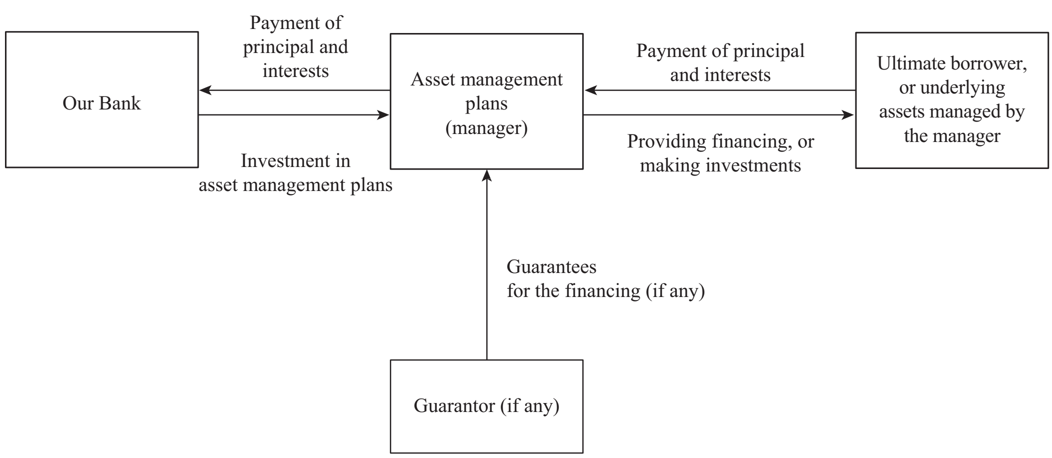
We enter into directed, specified or designated asset management contracts with securities companies, fund companies or asset management companies qualified to conduct asset management business and well-recognized in relevant business segments. We invest in asset management plans operated by such securities companies, fund companies and asset management companies. These asset management plans mainly include directed asset management plans, specified asset management plans or designated asset management plans.

The funds under the asset management plans are held in custody accounts opened by counterparties with third-party custodian banks in accordance with relevant asset management contracts. Counterparties shall be responsible for our losses caused by their failure to manage our engaged assets in accordance with the terms and conditions of asset management contracts. According to the asset management contracts, third-party custodian banks shall be liable for loss suffered by the securities companies, fund companies or asset management companies or us arising from the errors in their custodian services. Unless otherwise agreed, no guarantee will be provided by the securities companies, fund companies and asset management companies for their asset management plans. In case of default by counterparties or financing parties in our investment through the asset management plans, we will request the securities companies, fund companies or asset management companies to take corresponding measures against such defaulting party in order to minimize our loss.

As of December 31, 2016, we had entered into directed or specified asset management contracts with 22 securities companies, four fund companies and 25 asset management companies. As of December 31, 2014, 2015 and 2016, the balance of our investment in asset management plans amounted to RMB29,795 million, RMB79,307 million and RMB97,492 million, respectively.

As of December 31, 2016, the top five counterparties of asset management plans we invested in were professional asset management companies or securities companies in China with extensive experience and good track records. All the top five counterparties are subject to the regulation of CSRC, CIRC and other relevant authorities. As of December 31, 2016, our investment in asset management plans of our top five counterparties amounted to approximately RMB59,579 million, accounting for approximately 61.1% of our total investment in asset management plans. The top five counterparties of asset management plans we invested in comprise four asset management companies and one securities company. The largest counterparty of asset management plans we invested in was an insurance asset management company in China with rapid development in recent years.

The chart below illustrates the relationship among the parties involved in our investments in asset management plans.



The table below sets forth our five largest counterparties for asset management plans, namely the securities companies, fund companies or asset management companies that manages the asset management plans we hold, as of the dates indicated.

	As of December 31, 2014				
	Nature	Scale of operations in terms of total assets as of December 31, 2015	Regulatory ratings/ Credit ratings	Amount	% of investments in asset management plans
	(in millions of RMB, except percentages)				
Company A	Asset Management Company controlled by State-owned Enterprises	192,300	N/A	6,766	22.7%
Company B	Private Asset Management Company	381,100	N/A	4,444	14.9
Company C	Asset Management Company controlled by State-owned Enterprises	147,274	N/A	4,380	14.7
Company D	Securities Company controlled by State-owned Enterprises	102,500	BBB	2,850	9.6
Company E	Securities Company controlled by State-owned Enterprises	14,000	BBB	2,725	9.2
Total				**21,165**	**71.0%**

	As of December 31, 2015				
	Nature	Scale of operations in terms of total assets as of December 31, 2015	Regulatory ratings/ Credit ratings	Amount	% of investments in asset management plans
	(in millions of RMB, except percentages)				
Company F	Private Asset Management Company	282,800	N/A	14,406	18.2%
Company G	Asset Management Company controlled by State-owned Enterprises	110,592	N/A	12,008	15.1
Company H	Private Asset Management Company	25,257	N/A	12,002	15.1
Company A	Asset Management Company controlled by State-owned Enterprises	192,300	N/A	7,439	9.4
Company B	Private Asset Management Company	381,100	N/A	7,350	9.3
Total				**53,205**	**67.1%**

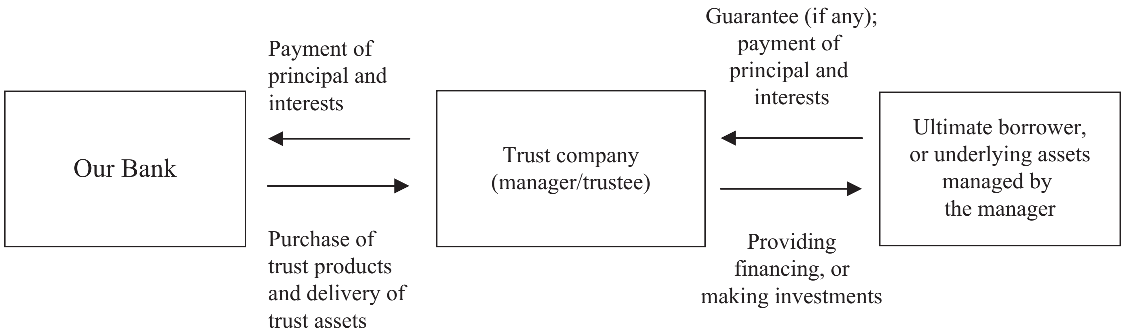
	As of December 31, 2016				
	Nature	Scale of operations in terms of total assets as of December 31, 2015	Regulatory ratings/ Credit ratings	Amount	% of investments in asset management plans
	(in millions of RMB, except percentages)				
Company I	Asset Management Company controlled by Government-owned Entities	560,252	N/A	18,600	19.1%
Company J	Securities Company controlled by Government-owned Entities	59,710	BBB	14,756	15.1
Company F	Private Asset Management Company	282,800	N/A	11,701	12.0
Company B	Private Asset Management Company	381,100	N/A	7,945	8.1
Company G	Asset Management Company controlled by State-owned Enterprises	110,592	N/A	6,577	6.7
Total				**59,579**	**61.1%**

Trust fund plans

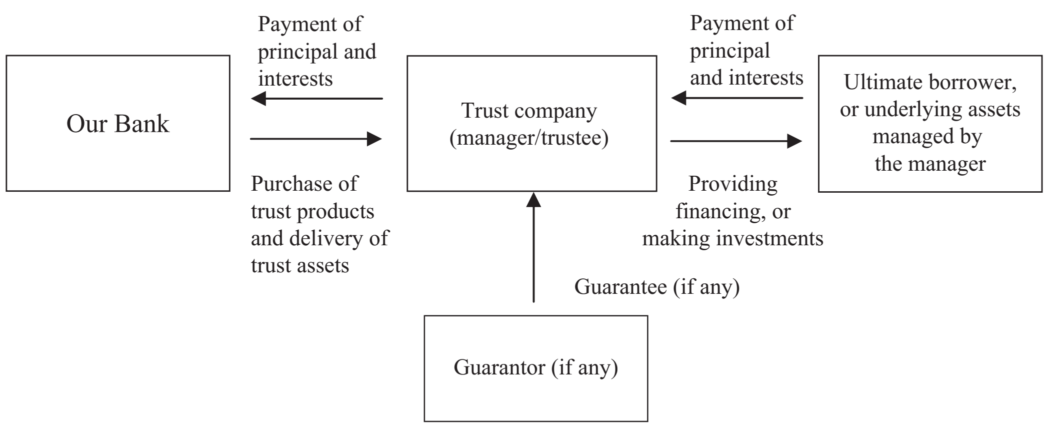
Through investment in trust fund plans managed by trust companies, we engage trust companies to manage our funds, which are used by trust companies for the provision of loans to financing parties. We believe, the trust fund plans invested by us provide stable investment returns with manageable risk exposures and are in compliance with relevant regulatory policies. We have adopted various measures to control the risks of investing in a trust fund plan. Credit approvals are made at our Head Office. In particular, we screen counterparties and the financing parties, and determine our credit extension amount to these parties with reference to credit approval standards for financial institutions. We make separate credit approval for each investment according to the approval procedures at our Head Office. Furthermore, a comprehensive risk management system is in place involving strict pre-investment due diligence, review and approval procedure and post-investment management. Our internal control system covering front, middle and back offices has enabled us to effectively segregated and managed the credit risk, market risk and compliance risk in relation to our investment in the trust fund plans.

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

In the case of guarantee provided by the financing party to the trust company:



In the case of guarantee provided by a third party to the trust company:



As of December 31, 2014, 2015 and 2016, the balance of our investment in trust fund plans amounted to RMB9,491 million, RMB5,695 million and RMB6,210 million, respectively.

As of December 31, 2016, all of the top five counterparties of the trust fund plans we invested in were entities controlled by renowned large state-owned or private enterprises in China and were regulated by CBRC and other relevant authorities. As of December 31, 2016, our investment in trust fund plans managed by the top five counterparties amounted to approximately RMB4,230 million, accounting for approximately 68.1% of our total investment in trust fund plans. Most of these counterparties have over 20 years of experience in the management of trust fund plans with high reputation, extensive experience and sound track records. The largest counterparty of trust fund plans we invested in was a large trust company with business coverage throughout China.

The table below sets forth our five largest trust company counterparties as of the dates indicated.

	As of December 31, 2014				
	Nature	Scale of operations in terms of total assets as of December 31, 2015	Regulatory ratings/Credit ratings	Amount	% of investments in trust fund plans
	(in millions of RMB, except percentages)				
Company A	Listed Securities Company	531,924	BBB	2,000	21.1%
Company B	State-owned Enterprise	115,498	N/A	994	10.5
Company C	Private Enterprise	148,439	N/A	850	9.0
Company D	State-owned Enterprise	103,980	N/A	800	8.4
Company E	State-owned Enterprise	294,523	N/A	800	8.4
Total				**5,444**	**57.4%**

	As of December 31, 2015				
	Nature	Scale of operations in terms of total assets as of December 31, 2015	Regulatory ratings/Credit ratings	Amount	% of investments in trust fund plans
	(in millions of RMB, except percentages)				
Company F	State-owned Enterprise	1,096,840	N/A	1,000	17.6%
Company D	State-owned Enterprise	103,980	N/A	800	14.0
Company G	State-owned Enterprise	113,366	N/A	600	10.5
Company H	Listed Trust Company	235,910	N/A	500	8.8
Company I	State-owned Enterprise	82,287	N/A	500	8.8
Total				**3,400**	**59.7%**

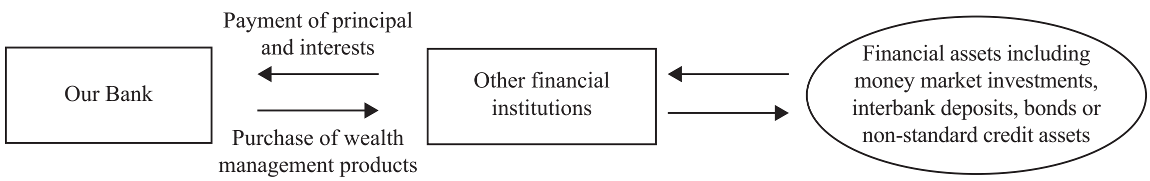
	As of December 31, 2016				
	Nature	Scale of operations in terms of total assets as of December 31, 2015	Regulatory ratings/Credit ratings	Amount	% of investments in trust fund plans
	(in millions of RMB, except percentages)				
Company E	State-owned Enterprise	294,523	N/A	1,800	29.0%
Company G	State-owned Enterprise	113,366	N/A	860	13.8
Company J	Private Enterprise	216,173	N/A	570	9.2
Company F	State-owned Enterprise	1,096,840	N/A	500	8.1
Company K	State-owned Enterprise	411,693	N/A	500	8.1
Total				**4,230**	**68.1%**

Wealth management products issued by other financial institutions

We invest in wealth management products issued by other financial institutions, where funds are invested into financial assets such as the money market instruments, interbank deposits, bonds and non-standard credit assets through these wealth management products. As of December 31, 2014, 2015 and 2016, the balance of our investment in wealth management products issued by other financial institutions amounted to RMB1,432 million, RMB1,261 million and RMB3,201 million, respectively.

As of December 31, 2016, the top five counterparties of wealth management products we invested in were reputable commercial banks in China. Four are city commercial banks and one is a rural commercial bank. All of these counterparties have extensive experience in offering wealth management products and are subject to the regulation of PBoC, CBRC and other relevant authorities. As of December 31, 2016, our investment in wealth management products issued by our top five counterparties amounted to RMB3,200 million, representing 99.97% of our total investment in wealth management products.

The following chart illustrates the relationship among parties involved in our investments in wealth management products issued by other financial institutions:



The table below sets forth our five largest counterparties for wealth management products issued by other financial institutions as of the dates indicated.

	As of December 31, 2014				
	Nature	Scale of operations in terms of total assets as of December 31, 2015	Credit ratings	Amount	% of investments in wealth management products issued by other financial institutions
	(in millions of RMB, except percentages)				
Company A	City Commercial Bank	9,538	AA+	1,432	100.0%
Total				**1,432**	**100.0%**

	As of December 31, 2015				
	Nature	Scale of operations in terms of total assets as of December 31, 2015	Credit ratings	Amount	% of investments in wealth management products issued by other financial institutions
	(in millions of RMB, except percentages)				
Company B	Joint-stock Commercial Bank	1,000,000	BBB+	1,261	100.0%
Total				**1,261**	**100.0%**

	As of December 31, 2016				
	Nature	Scale of operations in terms of total assets as of December 31, 2015	Credit ratings	Amount	% of investments in wealth management products issued by other financial institutions
	(in millions of RMB, except percentages)				
Company C	City Commercial Bank	310,041	AAA	1,000	31.2%
Company D	Rural Commercial Bank	600	AA+	1,000	31.2
Company E	City Commercial Bank	—	AA	700	21.9
Company F	City Commercial Bank	43,502	AA-	300	9.4
Company G	City Commercial Bank	64,100	AAA	200	6.2
Total				**3,200**	**99.97%**

Bill Rediscounting

We conduct commercial bill rediscounting with financial institutions to maintain liquidity or earn interest income. We are mainly engaged in bill buy-outs, bill sell-outs, bill repurchases and reverse-repurchases.

The source of our commercial bill projects has been expanded through implementing our strategy of developing comprehensive interbank banking business and cooperating with financial institutions, including commercial banks, factoring companies, fund companies and securities companies as well as obtaining the business referral from other financial institutions. In 2014, 2015 and 2016, the trading volume of our bill rediscounting business amounted to RMB656.2 billion, RMB179.9 billion and RMB246.9 billion, respectively.

Asset Custody Business

Asset custody business is a fee- and commission-based business under which we provide customers with custody, settlement, accounting, investment supervision and information disclosure and other services as a third-party in relation to the funds under our custody. The funds are kept away from the assets-owner and managers to ensure the safety of funds and maintain the regulated and transparent operation of the assets. Our asset custody business is able to generate stable income with no capital needs, attract large amounts of funds and create synergies. In January 2014, we were granted the license to engage in securities investment fund custody business, becoming the 21st commercial bank and the first rural commercial bank in China qualified for such business. In October 2015, we were licensed by CIRC to conduct insurance assets custody business. We were initially engaged in the over-the-counter custody business, including wealth management products issued by banks and trust plans, and expanded the business to cover the securities custody business (in-market custody business) and continually enriched custody services since obtaining assets custody license. The variety and size of the custody business experienced a significant growth. Assets under our custody amounted to RMB124,533 million, RMB295,608 million and RMB709,999 million as of December 31, 2014, 2015 and 2016, representing a CAGR of 138.8%. In 2016, our custodian fee income amounted to RMB120 million, which was nearly doubled as compared with the corresponding period of 2015.

Zhujiang Financial Leasing Co., Ltd.

Zhujiang Financial Leasing Co., Ltd., was established on December 11, 2014 as the first financial leasing company with nation-wide presence incorporated under the approval of CBRC since the promulgation of *Measures for the Administration of Financial Leasing Companies* in March 2014. Zhujiang Financial Leasing Co., Ltd. is the first financial leasing company controlled by a rural commercial bank in Guangdong Province.

Zhujiang Financial Leasing Co., Ltd. was established and wholly owned by us, with an initial registered capital of RMB1 billion and headquartered in Guangzhou. It is an important step of us to implement comprehensive development strategy. Zhujiang Financial Leasing Co., Ltd. inherits our more than 60 years' experience in financial services with our advanced financial leasing development concept, and seeks to provide a wide range of financial leasing services to our customers, including direct leasing, sale and leaseback, sub-lease and operating leasing, with national presence and based in Guangzhou and the Pearl River Delta Region. While continuing to serve traditional manufacturing sectors, it has been focusing on providing support to weak cyclicality industries and public welfare sectors, such as healthcare, tourism, education, water, power, gas and heat supply, sewage treatment, city development and agriculture, and has achieved outstanding results. It was recognized as "Best Inclusive Financial Leasing Service Provider of the Year 2015 (2015年最佳普惠金融租賃服務機構)" by *First Financial Daily* and "Inclusive Financial Leasing Company of the Year 2015 (2015年度最佳普惠金融租賃公司)" by *Financial News* (《金融時報》). Zhujiang Financial Leasing Co., Ltd. has been sharing customers and resources with us to create synergy and lay a solid foundation for our financial conglomeration strategy. For the years ended December 31, 2015 and 2016, Zhujiang Financial Leasing Co., Ltd. recognized operating income of RMB129 million and RMB435 million and recognized net profit of RMB12.5 million and RMB143 million, respectively. As of December 31, 2016, its total assets amounted to RMB12,380 million.

Zhujiang County Banks

Overview

As of December 31, 2016, we have established 24 Zhujiang County Banks in nine provinces and municipality in China. As our subsidiaries, Zhujiang County Banks have made a significant contribution to our extended business coverage. As of December 31, 2016, Zhujiang County Banks had approximately 14,600 corporate deposit customers, 2,900 corporate loan customers, 488,000 personal deposit customers and 45,100 personal loan customers. As of December 31, 2016, Zhujiang County Banks had 142 business outlets and 266 ATMs. The retail banking business of Zhujiang County Banks has experienced rapid growth in recent years. As of December 31, 2014, 2015 and 2016, the number of its retail customers were approximately 220,000, 374,000 and 520,000, respectively, representing a CAGR of 53.7%. As of December 31, 2014, 2015 and 2016, the total number of debit cards issued by Zhujiang County Banks was approximately 116,000, 237,000 and 364,000, respectively, representing a CAGR of 77.1%. For the years ended December 31, 2014, 2015 and 2016, the total spending of their debit cards amounted to RMB2,378 million, RMB2,452 million and RMB3,472 million, respectively. As of December 31, 2014, 2015 and 2016, Zhujiang County Banks had a total of 1,333, 1,577 and 1,801 employees, respectively.

Each of the Zhujiang County Banks, which are our subsidiaries, is an independent legal entity regulated by CBRC. Our Bank respects the independent operation of Zhujiang County Banks and is also committed to strengthen its business collaboration with Zhujiang County Banks at the same time. Our Bank has implemented specified measures and appraisal mechanisms for business collaboration between Zhujiang County Banks and the responsible departments of our business lines. Our Bank collaborates with Zhujiang County Banks in terms of product offering and customer referral. For instance, our Bank's wealth management products are distributed through Zhujiang County Banks. Zhujiang County Banks also refer their local customers to our Bank on a regular basis. In addition, our Bank shares its resources in technology and staff training with Zhujiang County Banks. For instance, our Zhujiang Business School provides tailored training programmes for Zhujiang County Banks as specified in its annual training plan. Moreover, Zhujiang County Banks have implemented cross-region operation initiatives. As of December 31, 2016, Xinyang Zhujiang County Bank had already expanded its business into various counties in Xinyang City. In addition, Anyang Zhujiang County Bank, Shenzhen Pingshan Zhujiang County Bank and Dalian Bonded Area Zhujiang County Bank also obtained relevant permits to carry out its cross-region business.

Establishment of Zhujiang County Banks

As encouraged by the government policies and to implement our Bank's cross-region development strategies, our Bank initiated our preparation work for the establishment of Zhujiang County Banks in 2010. Our Bank believes the cross-region operation through the Zhujiang County Banks will enable it to expand its customer base and enhance its brand recognition nationwide. Our Bank established Zhujiang County Banks with the strategic vision of promoting their long-term development and it also believes that our Bank will benefit from the synergies achieved through its business collaboration and resources-sharing with them.

Our Bank has strategically established Zhujiang County Banks with a focus in the regions with sound economy foundation, promising economic growth potential and geographic advantages. Our Bank normally takes into account a variety of factors when it establishes Zhujiang County Banks, including, among others:

- relevant regulatory requirements for the establishment and management of Zhujiang County Banks;
- the geographic location and local government support;
- competition of the local banking industry and local economic conditions; and
- the growth potential of the local financial market, including the financing needs of local enterprises.

To improve the operation and financial conditions of Zhujiang County Banks, our Bank has been assigning Key Performance Indicators (KPIs) to Zhujiang County Banks to evaluate their performance. Such KPIs mainly include profitability, the size of deposits and NPL ratios of the respective Zhujiang County Banks. Our Bank established the first Zhujiang County Bank in 2010. The investments, expenditures and costs for the early-stage development and expansion of certain Zhujiang County Banks are substantial. Therefore, the profitability of these Zhujiang County Banks is relatively low due to their short operating history, although their revenue-generating capabilities are generally strong. Our Bank has strengthened its management measures on Zhujiang County Banks in recent years to enhance their risk control and profit-earning capabilities. Our Bank requests Zhujiang County Banks to accelerate the recovery and disposal of their NPLs and provide incentives to reward the improvements in their NPL ratios. Our Bank has also issued risk management guidelines for credit extension of Zhujiang County Banks aiming to control their NPLs. Through our Bank's aforementioned efforts to control the NPL ratios of Zhujiang County Banks, the increase in the NPL ratio of Zhujiang County Banks as a whole from 2015 to 2016 was significantly lowered than that of commercial banks in China for the same period.

Financial Consolidation of Zhujiang County Banks

Our Bank consolidates the financial statements of those Zhujiang County Banks in which our Bank owns 50% or more equity interest as our majority-controlled subsidiaries. For those Zhujiang County Banks in which our Bank owns less than 50% equity interest, our Bank either holds more than 50% of voting rights in these subsidiaries by entering into acting-in-concert agreements with certain other shareholders of these subsidiaries (the "**Concert Parties**") or controls these Zhujiang County Banks through the appointment or approval of appointment of key management personnel of these subsidiaries. Yantai Fushan Zhujiang County Bank Co., Ltd. ("Yantai Fushan") currently has two directors, one of which is nominated by our Bank. In accordance with the articles of association of Yantai Fushan, our Bank is entitled to nominate three out of five directors. Our Bank will initiate the necessary procedures to nominate directors to fill the vacant positions as soon as practicable. Save as disclosed above, as at the Latest Practicable Date, our Bank, together with shareholders acting in concert with our Bank, nominated a majority of the board members of each Zhujiang Country Bank.

Under the acting-in-concert agreements with certain shareholders of Zhujiang County Banks, the Concert Parties have agreed to act in concert in respect of the relevant matters relating to the establishment, operation and management of Zhujiang County Banks, these matters include, but are not limited to:

- all voting matters at any shareholders' meetings, board meetings and meetings of the board of supervisors;
- the nomination and appointment of directors and supervisors;
- the nomination and appointment of the senior management such as the president, the finance director and the board secretary, among others; and
- all other matters relating to the rights of shareholders.

Under the acting-in-concert agreements, in respect of the acting-in-concert matters mentioned above, our Bank will have adequate communication with the Concert Parties in advance of any decision-making or voting, but our Bank's final decisions or votes prevail. The Concert Parties and their related persons must align their votes with ours at the shareholders' meetings, board meetings and meetings of the board of supervisors.

The directors of each Zhujiang County Bank that our Bank nominates are responsible for regular communication with the Concert Parties. Such directors' regular communication with the Concert Parties in advance of shareholders' meetings and board meetings facilitates us to reach consensus on voting at these meetings. In the event that any of the Concert Parties fails to align their votes with ours, such Concert Parties shall typically transfer their shares of the relevant Zhujiang County Banks to our Bank or an entity designated by our Bank upon their receipt of written notices given by our Bank(1). Under such circumstances, the acting-in-concert agreements shall be terminated upon such Concert Parties ceasing their status as the shareholders of the relevant Zhujiang County Banks.

Our PRC legal adviser, King & Wood Mallesons, has confirmed that (i) each of these acting-in-concert agreements is legally binding and does not violate PRC law; and (ii) none of the parties to the acting-in-concert agreements has the contractual right to unilaterally terminate the agreements and, pursuant to the Contract Law of the PRC, in principle, the acting-in-concert agreements may only be terminated by mutual agreement unless the parties have legal rights to unilaterally terminate the agreements. On the basis that the undertakings in the acting-in-concert agreements were not revoked, discharged or terminated, our PRC legal adviser is of the opinion that the undertakings under the acting-in-concert agreements constitute legally binding obligations on the parties giving such undertakings. In the event of any breach of the acting-in-concert agreement by any of the minority shareholders of the Zhujiang County Banks that caused any damage on our Bank, our Bank is legally entitled to hold the breaching shareholder(s) liable and claim damages.

(1) Except that, in the acting-in-concert agreements with JiangMen City Xinhui District Taisheng Quarry Co., Ltd. (the shareholder of Xinjin Zhujiang County Bank and Jizhou Zhujiang County Bank) and Shenzhen Xinqi'an Industrial Development Co., Ltd. (the shareholder of Jizhou Zhujiang County Bank), no similar liability clauses were stipulated for breach of the respective acting-in-concert agreements.

While in most cases the concert-party minority shareholders voted in alignment with our Bank, there were instances they failed to abide by their acting-in-concert agreements with our Bank. Our Bank considers these instances isolated incidents. Our Bank has obtained confirmations from substantially all of the concert-party minority shareholders reiterating their intentions to follow the voting position of our Bank in general meetings of the Zhujiang County Banks concerned going forward, in accordance with the provisions in the acting-in-concert agreements. For some of the others, our Bank has issued letters to remind them of the provisions of the acting-in-concert agreements and the consequences of the breach of its provisions.

To further strengthen the effectiveness of the acting-in-concert agreements, our Bank will enhance its communications with the other minority shareholders of the Zhujiang County Banks who are parties acting in concert with us, to ensure that the stance of our Bank is sufficiently communicated to the other minority shareholders, in particular before every general meeting. In November 2016, our Bank issued the Notice Regarding Strengthening Public Relations of County Banks (《關於加強村鎮銀行公共關係維護工作的通知》), requiring all Zhujiang County Banks to maintain close communication with shareholders, including arranging meetings with shareholders at least once every three months. Zhujiang County Banks shall make quarterly reports to our Bank on the said liaison work.

For details about our control over those Zhujiang County Banks in which our Bank holds less than 50% equity interest, see "History and Development—Our Shareholding and Corporate Structure." Therefore, our Bank consolidates these Zhujiang County Banks as its subsidiaries in terms of accounting treatment. For the basis of such consolidation for the preparation of the consolidated financial statements concerning the Zhujiang County Banks, see Appendix I—"Accountants' Report—2.1 Basis of Preparation and Accounting Policies—Basis of consolidation."

Management of Zhujiang County Banks

In compliance with the requirements of CBRC, our Bank upholds the independent legal status and respects the independent operation of Zhujiang County Banks. Each of the Zhujiang County Banks, as a subsidiary, is an independent legal entity regulated by CBRC. Our Bank strives to maintain an autonomous operation of the Zhujiang County Banks in a moderate level. Each Zhujiang County Bank is different in terms of its respective geographical locations, target market, customer base, culture and product offerings and also in terms of its number of employees and outlets. Zhujiang County Banks generally have smaller business scale and offer fewer products and services than our Bank. Some of the Zhujiang County Banks are in early stage of development and it may take time before they can generate profits. Our Bank believes an autonomous operation business model would enable the Zhujiang County Banks to leverage their extensive local networks and long-lasting local customer relationships, and to become more responsive to market changes through greater flexibility in customizing their products and services to the local markets, so as to expand client coverage and enhance profitability. Although our Bank does not directly participate in the business operation of Zhujiang County Banks, our Bank provides support and guidance to, and supervises when necessary, the operation of these Zhujiang County Banks in respect of their respective risk management, internal control, information technology system, financial reporting, strategic planning, company name and brand management and human resources.

Risk Management

While each of the Zhujiang County Banks performs its respective daily risk management work on an independent basis, our Bank also adopts the following measures to strengthen its management.

Firstly, our Bank closely monitors the major risk indicators, including but not limited to capital adequacy ratios, core liabilities ratios, liquidity gap ratios, loan concentration ratios, cost-to-income ratios, return on assets ratios, return on equity ratios, non-performing loan ratios and allowance coverage ratios, of our Zhujiang County Banks. Our Bank reviews the risk indicators of our Zhujiang County Banks on a monthly basis, and set management targets, warning limits and regulatory limits for our Zhujiang County Banks. See "—Regulation by CBRC and Compliance with Regulatory Indicators." Secondly, our Bank assigns risk management directors responsible for the management of the credit extending business and the risk management of Zhujiang County Banks. Thirdly, in respect of pre-disbursement management, based on the actual circumstances of Zhujiang County Banks, our Bank implements differentiated management measures such as loan approval review, pre-disbursement review or post-disbursement management and filing for loans with the amount over RMB5 million. As for post-disbursement management, our Bank classifies loans extended by Zhujiang County Banks into five categories for monitoring in accordance with CBRC requirements on the five-category classification of loans. Our Bank has also introduced regional rating and cross-region rating mechanisms to ensure the accuracy of the classification of loans extended by our Zhujiang County Banks. Our Bank also closely monitors the post-disbursement management of the loans with the amount of less than RMB5 million extended by the Zhujiang County Banks to their respective customers with respect to their compliance with relevant regulations. The risk management director that our Bank assigned to each Zhujiang County Bank conducts sampling reviews for the loans, other than those reviewed and approved by the risk management directors, with the amount of less than RMB5 million on a monthly basis. Our Bank requires a minimum monthly sampled fraction of 10% of the number of loans approved during each month, and a minimum quarterly sampled fraction 20% of the outstanding balance of loans at the end of each quarter. Our Bank also requires the risk management directors to cover all loans extend by the Zhujiang County Banks in each year during the sampling review process, and report the list of loans reviewed and findings to our Bank on a monthly basis.

Internal Control

Each of the Zhujiang County Banks has established its internal control mechanisms according to its individual situation by referring to our internal control policies. Our Bank has established an internal audit team under the County Bank Management Center to manage the internal audit of Zhujiang County Banks. Firstly, our Bank conducts general or specified audit on Zhujiang County Banks in respect of their credit extension, operation, financial condition and general issues, and demands accountability and rectification for any material non-compliance. General audits are generally carried out at least once every year for each Zhujiang County Bank. Our Bank also performs specified audits on Zhujiang County Banks when it identifies indication of potential occurrence of risk incidents. Secondly, our Bank guides and supervises the internal control of Zhujiang County Banks through measures such as guiding the formulation of their audit plans and selecting their audit staff for training. In addition, under our Bank's unified guidance, each of the Zhujiang County Banks has established anti-money laundering system and procedures in accordance with the PRC laws. Each of the Zhujiang County Banks is responsible for conducting its own anti-money laundering analysis and judgment based on its knowledge and available information of its customers. Further, each of the Zhujiang County Banks is also responsible for identifying suspicious transactions based on its own manual identification technology.

Information Technology System

All Zhujiang County Banks adopt a common information technology system with our Bank. In addition, as an independent legal entity, each of the Zhujiang County Banks operates its information technology system separately and independently from that of our Bank. The Zhujiang County Banks have their own information technology team responsible for the daily management of their information technology system while our Bank offers technological support and guidance. Our Bank is able to obtain key data and information of the previous day of all Zhujiang County Banks through the core financial statements system, regulatory reporting system and centralized financial statements platform on a daily basis. Real-time information and data of all Zhujiang County Banks can also be obtained through the customized counter transaction or data enquiry system.

Financial Reporting

Our Bank is able to obtain the balance sheets and income statements of each of the Zhujiang County Banks on a monthly basis through the regulatory reporting system as aforementioned. Our Bank is also able to obtain the balance sheet items and off-balance sheet items on a daily basis of each Zhujiang County Bank through the same system, which typically reveals data for the previous date.

Strategic Planning

Our Bank issues guidance opinions on the return on equity, deposit balance, non-performing loan ratio and other indicators of the Zhujiang County Banks annually to guide their overall development, while the Zhujiang County Banks formulate their own specific goals, plans and measures.

Company Name and Brand Management

Each of the Zhujiang County Banks was named in accordance with the Provisions on the Administration of Enterprise Name Registration (《企業名稱登記管理規定》) issued by SAIC on July 22, 1991 and amended on November 9, 2012, which states the names of all legal entities shall reflect their geographic locations, trade names, industries and business natures. In addition, all of our Zhujiang County Banks use "Zhujiang" as a part of their company names for branding purposes.

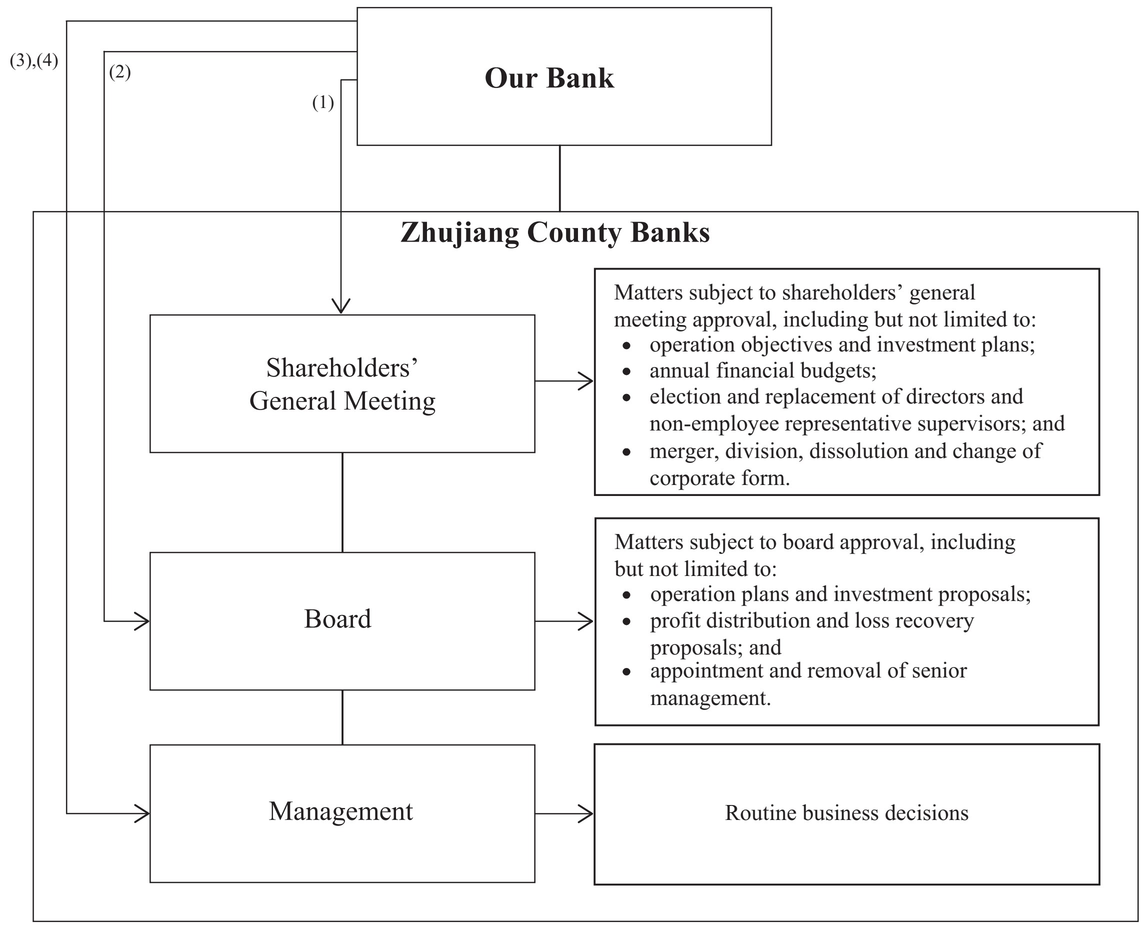
Moreover, with the view to (1) enable our Bank and Zhujiang County Banks to share the goodwill brought by a common corporate image and (2) facilitate brand management throughout our Bank and the Zhujiang County Banks as a group, we have set up unified standards and management requirements for the brand image management of all Zhujiang County Banks, and each of the Zhujiang County Banks is responsible for the management of its own brand image.

Human Resources

Each of our Zhujiang County Banks manages its own human resources system and our Bank is responsible for providing technical support. Except for Zhongshan Dongfeng Zhujiang County Bank Co., Ltd. and Sanshui Zhujiang County Bank Co., Ltd. which are controlled by our Bank through appointment or approval of appointment of its key management, our Bank and shareholders acting in concert with it have the rights to nominate a majority of the directors of all the other Zhujiang County Banks. The senior management of each Zhujiang County Bank shall be appointed in accordance with its articles of association.

Decision-Making Process of Zhujiang County Banks

The following chart sets forth the typical decision-making process of the Zhujiang County Banks.



(1) Except for Zhongshan Dongfeng Zhujiang County Bank Co., Ltd. and Sanshui Zhujiang County Bank Co., Ltd. which are controlled by our Bank through appointment or approval of appointment of its key management, our Bank controls more than 50% of the voting rights, including through acting-in-concert agreements, in all the other Zhujiang County Banks.

(2) Except for Zhongshan Dongfeng Zhujiang County Bank Co., Ltd. and Sanshui Zhujiang County Bank Co., Ltd. which are controlled by our Bank through appointment or approval of appointment of its key management, our Bank and shareholders acting in concert with it have the rights to nominate a majority of the directors of all the other Zhujiang County Banks.

(3) Our Bank dispatches risk management directors to Zhujiang County Banks to guide and monitor the implementation of their risk management measures and processes.

(4) Our Bank has established the Investment and Institutional Management Department to help the Zhujiang County Banks establish strategic development plans, provide support in respect of different areas, such as human resources, product promotion, business guidance, system establishment and staff training, and supervise risk management.

Financial Contribution of Zhujiang County Banks

As of December 31, 2016, we had established 24 Zhujiang County Banks in total. For the years ended December 31, 2014, 2015 and 2016, the aggregate operating income of all 24 Zhujiang County Banks accounted for 6.5%, 7.0% and 8.6% of our operating income for the same period, respectively. For the years ended December 31, 2014, 2015 and 2016, the aggregate net profits of all 24 Zhujiang County Banks accounted for 3.3%, 0.2% and 2.8% of our net profits for the same period, respectively. The contribution of aggregate operating income of all 24 Zhujiang County Banks to our operating income had grown steadily during the Track Record Period. However, due to the slowdown of growth rate of PRC economy, the NPL ratios of PRC commercial banks had increased significantly in 2015.

Due to their sensitivity to adverse macroeconomic change attributable to their respective short operation period and relatively small operation scale, the increased NPL ratios of Zhujiang County Banks had resulted in their decreased aggregate net profits for the same period. As of December 31, 2014, 2015 and 2016, the total assets of all 24 Zhujiang County Banks accounted for 4.2%, 5.7% and 6.2% of our total assets, respectively.

Each Zhujiang County Bank, as well as all of the Zhujiang County Banks in aggregate, represented an insignificant percentage to our consolidated financial statements. For the years ended December 31, 2014, 2015 and 2016, all our Zhujiang County Banks generated a total net interest income of RMB840 million, RMB1,019 million and RMB1,213 million, respectively, and a total net fee and commission income of RMB3 million, RMB16 million and RMB77 million, respectively. As of December 31, 2014, 2015 and 2016, the non-performing loan ratio for our Zhujiang County Banks as a whole was 1.01%, 2.67% and 2.68%, respectively, and the allowance coverage ratio of our Zhujiang County Banks as a whole was 302.16%, 190.22% and 188.93%, respectively. The contribution by each Zhujiang County Bank to our consolidated operating income, net profit and total assets as of and for the year ended December 31, 2016 ranged from approximately 0.10% to 2.03%, -2.60% to 2.49% and 0.06% to 1.41%, respectively. The average financial contribution of each Zhujiang County Bank, as a percentage to our consolidated operating income, net profit and total assets as of and for the year ended December 31, 2016, was approximately 0.36%, 0.12% and 0.26%, respectively. The following table sets forth the percentage contribution of each Zhujiang County Bank to our Bank's consolidated operating income, net profit and total assets as of and for the year ended December 31, 2016.

	As of and for the year ended December 31, 2016[(1)]		
	Operating Income	**Net Profit**	**Total Assets**
		(unaudited) (in percentages)	
Huixian Zhujiang County Bank Co., Ltd.	0.39%	0.25%	0.24%
Anyang Zhujiang County Bank Co., Ltd.	0.22	0.01	0.10
Xinyang Zhujiang County Bank Co., Ltd.	2.03	2.49	1.41
Xinjin Zhujiang County Bank Co., Ltd.	0.35	0.67	0.26
Guanghan Zhujiang County Bank Co., Ltd.	0.33	0.35	0.25
Pengshan Zhujiang County Bank Co., Ltd.	0.31	-0.16	0.15
Jiangsu Qidong Zhujiang County Bank Co., Ltd.	0.21	0.12	0.13
Jiangsu Xuyi Zhujiang County Bank Co., Ltd.	0.24	-0.06	0.19
Laizhou Zhujiang County Bank Co., Ltd.	0.19	-0.27	0.10
Haiyang Zhujiang County Bank Co., Ltd.	0.12	-0.02	0.12
Yantai Fushan Zhujiang County Bank Co., Ltd.	0.10	-0.24	0.06
Qingdao Chengyang Zhujiang County Bank Co., Ltd.	0.12	0.01	0.14
Laiwu Zhujiang County Bank Co., Ltd.	0.31	0.19	0.21
Beijing Mentougou Zhujiang County Bank Co., Ltd.	0.44	0.16	0.69
Dalian Bonded Area Zhujiang County Bank Co., Ltd.	0.27	0.03	0.37
Jizhou Zhujiang County Bank Co., Ltd.	0.51	-0.16	0.25
Heshan Zhujiang County Bank Co., Ltd.	0.30	0.39	0.23
Shenzhen Pingshan Zhujiang County Bank Co., Ltd.	0.86	0.98	0.48
Xingning Zhujiang County Bank Co., Ltd.	0.11	0.00	0.07
Changning Zhujiang County Bank Co., Ltd.	0.20	0.04	0.15
Suzhou Wuzhong Zhujiang County Bank Co., Ltd.	0.45	0.35	0.25
Dongguan Huangjiang Zhujiang County Bank Co., Ltd.	0.17	0.22	0.10
Sanshui Zhujiang County Bank Co., Ltd.	0.18	0.01	0.12
Zhongshan Dongfeng Zhujiang County Bank Co., Ltd.	0.18	-2.60	0.14
Total	**8.59%**	**2.76%**	**6.21%**

(1) The above financial information has been extracted from our Bank's internal records and has not been audited or reviewed by our Reporting Accountants or any other independent auditor.

Related Party Transactions of Zhujiang County Banks

Background

Each Zhujiang County Bank has adopted and implemented its own rules and procedures regarding related party transactions, which set out the scope of related parties and the threshold of material related party transactions.

A material related party transaction refers to (i) a single transaction conducted between a Zhujiang County Bank and a related party on condition that the transaction amount is not less than 1% (or 0.5% according to some Zhujiang County Banks' own rules) of the net capital of such Zhujiang County Bank or (ii) a transaction with a related party after which the outstanding balance between the relevant Zhujiang County Bank and such related party reaches 5% (or 2.5% according to certain Zhujiang County Banks' own rules) of the net capital of such Zhujiang County Bank.

To the information of our Bank, 15 Zhujiang County Banks granted credit to their respective related parties during the Track Record Period which either (i) constituted material related party transaction or (ii) did not constitute a material related party transaction, but was of an amount of more than RMB1,000,000. The maximum size of these single transactions was RMB21.0 million.[Note]

Internal Control Measures

The material related party transactions are subject to the approval by the board of directors of the Zhujiang County Bank involved, and are required to be reported to the board of supervisors of such Zhujiang County Bank, with a copy to the local office of CBRC, within 10 business days upon the approval of such material related party transaction.

A related party transaction, with which the directors of the Zhujiang County Bank or the senior management of the head office are related, is required to be reported to the board of supervisors within 10 business days upon the approval of such related party transaction.

Further, any person with substantial interest in any proposed related party transactions is required to abstain from voting when the board of directors of the Zhujiang County Bank considers the transaction.

Our Bank places great emphasis on the management of related party transactions of Zhujiang County Banks. A recent measure that our Bank undertook was the issuance of a guidance to the Zhujiang County Banks in March 2017 requiring, among other things, that (i) all related party loans and facilities must be approved by the risk management director of the respective Zhujiang County Bank beforehand; and (ii) all Zhujiang County Banks shall make a report to our Bank before the fifth business day of each month on related party loans and facilities.

Regulation by CBRC and Compliance with Regulatory Indicators

Compliance with Regulatory Indicators

As an independent legal entity financial institution, our Bank and each of the Zhujiang County Banks are subject to individual regulation by CBRC. As the primary promoter bank, our Bank

Note: Based on the financial figures disclosed in "—Financial Contribution of Zhujiang County Banks" above, each and every one of the Zhujiang County Banks constitutes an insignificant subsidiary of our Bank, and therefore transactions between the Zhujiang County Banks (being subsidiaries of our Bank) and their respective minority shareholders do not constitute connected transactions for the purpose of the Listing Rules.

monitors and supervises each of Zhujiang County Banks' compliance with the regulatory indicators and other regulatory requirements. Our Bank has implemented the following monitoring and warning measures since 2014, and will continue to implement these measures in order to enhance the compliance of Zhujiang County Banks with the regulatory indicators:

(A) pass the operation and risk condition notice issued by the competent department under the local offices of CBRC to Zhujiang County Banks that do not meet the regulatory indicators, and require such Zhujiang County Banks to rectify and submit rectification reports;

(B) implement differentiated regulatory compliance monitoring measures over the Zhujiang County Banks. Under the circumstances where the regulatory indicators of certain Zhujiang County Banks are close to the regulatory limit, our Bank will issue compliance warnings in a timely manner or conduct meetings with the senior management of the relevant Zhujiang County Banks to discuss possible measures to be taken to maintain compliance with regulatory requirements. Under the circumstances where the regulatory indicators of certain Zhujiang County Banks exceed the regulatory limit, our Bank will provide guidance to the relevant Zhujiang County Banks on possible measures to be taken to restore their compliance with regulatory requirements, require the relevant Zhujiang County Banks to submit correction plans and rectify such non-compliance issues within a specified period and hold the responsible personnel accountable;

(C) develop a pegging mechanism that associates some of the regulatory indicators with the classification of the Zhujiang County Banks and the appraisal of their senior management, and enhance such association based on the level of deviation from the indicators at the end of the examination period; and

(D) require the Zhujiang County Banks to report some of the major regulatory indicators to our Bank on a monthly basis. Our Bank believes such a monitoring frequency is sufficient, considering our internal control needs and the relevant reporting obligations to regulatory authorities.

During the Track Record Period, certain routine or special reviews and inspections have identified certain non-compliance of some Zhujiang County Banks with certain regulatory indicators. Some of our Zhujiang County Banks did not meet the regulatory requirements for certain operating indicators, primarily including:

(i) *Core liabilities ratio*. As of December 31, 2014, 2015 and 2016, the core liabilities ratio of 17, 19 and 14 out of our 24 Zhujiang County Banks did not meet the regulatory requirement, respectively. As of December 31, 2016, the core liabilities ratios of the 14 Zhujiang County Banks that did not meet the regulatory requirement ranged from 24.64% to 57.65%, while the regulatory requirement was no less than 60%;

(ii) *Liquidity gap ratio*. As of December 31, 2014, 2015 and 2016, the liquidity gap ratio of four, three and three out of our 24 Zhujiang County Banks did not meet the regulatory requirement, respectively. As of December 31, 2016, the liquidity gap ratios of the three Zhujiang County Banks that did not meet the regulatory requirement ranged from -90.14% to -23.22%, while the regulatory requirement was no less than -10%;

(iii) *Loan concentration ratio.* As of December 31, 2015 and 2016, the loan concentration ratio of two and two out of our 24 Zhujiang County Banks did not meet the regulatory requirement, respectively. As of December 31, 2016, the loan concentration ratios of the two Zhujiang County Banks that did not meet the regulatory requirement were 10.03% and 11.48%, respectively, while the regulatory requirement was no more than 10%; and

(iv) *70% Requirement* (as defined below). As of December 31, 2014, 2015 and 2016, 11, eight and six out of our 24 Zhujiang County Banks did not meet the regulatory requirement, respectively. As of December 31, 2016, the 70% Requirement ratios of the six Zhujiang County Banks that did not meet the regulatory requirement ranged from 39.31% to 68.43%, while the regulatory requirement was no less than 70%.

Pursuant to the "Administrative Measures on the Liquidity Risk of Commercial Banks (Trial)" (商業銀行流動性風險管理辦法（試行）) issued by CBRC on January 17, 2014, which became effective on March 1, 2014, core liabilities ratio and liquidity gap ratio are no longer treated as regulatory indicators. As a result, failing to comply to the requirement of these ratios does not certainly lead to any direct or material liquidity risks to us or any Zhujiang County Bank, therefore, the non-compliance of the core liabilities ratio and liquidity gap ratio of certain Zhujiang County Banks in the past has not and will not lead to any punishment on the relevant Zhujiang County Bank or any material adverse effect on its financial position.

The loan concentration ratio refers to the percentage of outstanding loan balance to a single customer to the net capital of the financial institution. In one case, the loan concentration ratio of the Zhujiang County Bank exceeded the regulatory limit of 10%, as the net capital of that Zhujiang County Bank decreased due to a net loss recorded for the year. As such, there was an increase in the loan concentration ratio even if the outstanding loan balance to the customer concerned remained unchanged. In such case, it would be impractical for such Zhujiang County Bank to demand repayment of such loan before its maturity, as the loan was already made under a legally-binding loan agreement. However, the Zhujiang County Bank at issue would not renew the loan in questions upon its maturity, thereby gradually reducing the loan concentration ratio.

In accordance with the Notice on the Establishment and Improvement of Official Operation of Off-site Regulatory Information System (中國銀監會辦公廳關於建立和完善村鎮銀行非現場監測體系的通知) issued by CBRC, 70% Requirement refers to the ratio of the total outstanding balance of loans to the borrowers with the amount no more than RMB5.0 million to the total outstanding loan balances shall not be less than 70%. Certain of our Zhujiang County Banks failed to meet the 70% Requirement, partly because these Zhujiang County Banks were still in their early stages of development and in the process to enhance their loan management capabilities in the changing general economic and market conditions. Our bank has adopted various measures as described under (A) to (D) listed above in order to improve the profitability, asset quality and internal control of our Zhujiang County Banks. The number of the Zhujiang County Banks that failed to meet the 70% Requirement decreased from 11 as of December 31, 2014 to eight as of December 31, 2015, and further decreased to six as of December 31, 2016. Our bank will continue our efforts to enforce risk management of the Zhujiang County Banks.

As advised by our PRC legal advisors, there are no express regulatory provisions requiring the Zhujiang County Banks to immediately rectify the situation where their loan concentration ratios exceeds the regulatory limit or they fail to meet the 70% Requirement. However, failure to meet the limit of the loan concentration ratio or the 70% Requirement may adversely impact the regulatory ratings of the Zhujiang County Banks, which may potentially result in increased attention and inspections by the regulators on these banks, certain restrictions on their products and business, regulators' interviews with the banks' directors, officers and supervisors as well as regulators' demands for rectification actions. In addition, failure to meet the regulatory indicators may be viewed by the bank regulatory authorities as violation of prudential operation rules, which, depending on the severity of the non-compliance, could lead to a number of regulatory actions including, for example, the imposition of a timeline for the bank to rectify the non-compliance, the imposition of a fine of RMB200,000 up to RMB500,000, suspension of certain business, restrictions on dividend distributions and asset transfers, and disciplinary actions against the directors, officers or persons directly liable for such non-compliance. See "Risk Factors—Risks Relating to Our Business—We may have difficulties in meeting capital adequacy and other regulatory requirements in the future."

Some of our Zhujiang County Banks did not meet certain profitability indicators, primarily including:

(i) *Cost-to-income ratio.* For the years ended December 31, 2014, 2015 and 2016, the cost-to-income ratio of 17, 17 and 14 out of our 24 Zhujiang County Banks did not meet the regulatory requirement, respectively. For the year ended December 31, 2016, the cost-to-income ratios of the 14 Zhujiang County Banks that did not meet the regulatory requirement ranged from 35.84% to 95.07%, while the regulatory requirement was no more than 35%;

(ii) *Return on assets ratio.* For the years ended December 31, 2014, 2015 and 2016, the return on assets ratio of 7, 17 and 14 out of our 24 Zhujiang County Banks did not meet the regulatory requirement, respectively. For the year ended December 31, 2016, the return on assets ratios of the 14 Zhujiang County Banks that did not meet the regulatory requirement ranged from -3.38% to 0.85%, while the regulatory requirement was no less than 1%; and

(iii) *Return on equity ratio.* For the years ended December 31, 2014, 2015 and 2016, the return on equity ratio of 9, 19 and 14 out of our 24 Zhujiang County Banks did not meet the regulatory requirement, respectively. For the year ended December 31, 2016, the return on equity ratios of our 14 Zhujiang County Banks ranged from -20.22% to 9.85%, while the regulatory requirement was no less than 11%.

These failures were partly because these Zhujiang County Banks have a short operating history, and are still in an early stage of development with further room for improvement in their operational efficiency.

Failure to meet the regulatory indicators may adversely impact the regulatory ratings of the Zhujiang County Banks, which may potentially result in increased attention and inspections by the regulators on these banks, certain restrictions on their products and business, regulators' interviews with the banks' directors, officers and supervisors as well as regulators' demands for rectification actions. In addition, failure to meet the regulatory indicators may be viewed by the bank regulatory authorities as violation of prudential operation rules, which, depending on the severity of the non-compliance, could lead to a number of regulatory actions including, for example, the imposition of a timeline for the bank to rectify the non-compliance, the imposition of a fine of RMB200,000 up to RMB500,000, suspension of certain business, restrictions on dividend distributions and asset transfers, and disciplinary actions against the directors, officers or persons directly liable for such non-compliance. According to our PRC legal advisor, in regard to the maximum penalty of non-compliance with the regulatory indicators of the Zhujiang County Banks, since (i) relevant rules or guidance are unclear about how the regulatory authorities determine whether the Zhujiang County Banks is "violating the prudential operation rules seriously" and (ii) the frequency of regulatory authorities inspecting or penalizing the Zhujiang County Banks for the status of compliance with regulatory indicators is unclear, therefore, it is unable to estimate the maximum penalty that the Zhujiang County

Bank concerned may be imposed. On the basis mentioned above, as of December 31, 2016, there are certain Zhujiang County Banks which did not meet the regulatory requirements including: (i) two Zhujiang County Banks did not meet the loan concentration ratio, (ii) six Zhujiang County Banks did not meet the 70% Requirement, (iii) 14 Zhujiang County Banks did not meet the cost-to-income ratio, (iv) 14 Zhujiang County Banks did not meet the return on assets ratio and (v) 14 Zhujiang County Banks did not meet the return on equity ratio. Assuming that the regulatory authorities penalize each of the Zhujiang County Banks mentioned above for the non-compliance with each regulatory indicator mentioned above, in terms of the maximum penalty amount of RMB500,000 was imposed by regulatory authorities on the Zhujiang County Banks concerned, the potential fine of all Zhujiang County Banks due to non-compliance with the regulatory indicators will be RMB25,000,000, representing approximately 0.2% of our operating income for the year ended December 31, 2016. See "Risk Factors—Risks Relating to Our Business—We may have difficulties in meeting capital adequacy and other regulatory requirements in the future."

During the Track Record Period and up to the Latest Practicable Date, none of the Zhujiang County Banks received any administrative penalty from the regulatory authorities as a result of their non-compliance with the regulatory indicators. Given that (i) Zhujiang County Banks represented only an insignificant financial contribution of the consolidated financial statements of our Bank and the non-compliance of the Zhujiang County Banks, individually or in aggregate, would not cause a material adverse impact on the Bank's business and financial performance; (ii) a fine of RMB200,000 to RMB500,000 may be imposed on the Zhujiang County Bank, which would not cause a material adverse impact on any Zhujiang County Bank's business and financial performance and (iii) there were no material impact as a result of the non-compliance by any Zhujiang County Bank, we believe that the failure by some of the Zhujiang County Banks to meet the regulatory indicators during the Track Record Period does not have any material adverse effect on the business, operations and financial results of our Bank on a consolidated basis. Our Bank has taken measures as described in (A) to (D) above to improve the profitability, asset quality and internal control of our Zhujiang County Banks. In addition, we continue enforcing these measures as described under "—Our Principal Business—Zhujiang County Banks—Risk Management" in an effort to improve risk management of our Zhujiang County Banks. We did not experience any non-compliance by our Zhujiang County Banks that, individually or in aggregate, would have a material adverse effect on our business operations or financial conditions on a consolidated basis after our implementation of these measures.

Cross-region operations

According to the PRC banking laws and regulations, all banking financial institutions shall strictly abide by the rules for prudent operations, and county banks shall refrain from cross-region operations, in other words, funds absorbed by the county banks may only be applied in the region. The regulation prohibits loans to customers located in another region as well as outflow of funds from the county bank to financial institutions outside the region the county bank is situated in the form of inter-bank transactions. The conduct of cross-region operation of county banks without approval by CBRC are not in compliance with the regulation.

During the Track Record Period, according to regulatory inspection documents of all Zhujiang County Banks issued by the banking supervision institutions, four of the Zhujiang County Banks were engaged in cross-region operations which involved extending loans to customers located in another region, and the Zhujiang County Banks involved have implemented rectification measures.

Our Bank considers that the issue of cross-region operations could be prevented by effective pre-disbursement controls. To enhance pre-disbursement controls, our Bank has, among other things, issued a guidance letter to the Zhujiang County Banks in April 2016. In the said guidance letter, it was re-iterated that (1) the loan approval committee in each Zhujiang County Bank shall have no less than three committee members with rich experience in credit management; (2) committee members shall abstain from the loan approval process in cases of conflict of interest; (3) the risk management director has the power to veto any loan application; (4) in principle, delegation of loan approval functions is not allowed; and (5) the risk management directors are required to conduct sampled reviews on loans which have not been reviewed by the risk management directors. Our Bank requires a minimum monthly sampling fraction of 10% of the total number of loans approved during each month, and a minimum quarterly sampling fraction of 20% of the outstanding balance of loans at the end of each quarter. Our Bank also requires the risk management directors to cover all loans extend by the Zhujiang County Banks in each year during the sampled review process.

In April 2017, our Bank issued a Notice Regarding Strict Compliance with Regulations of Business Scope and Region of County Banks (關於嚴格執行村鎮銀行經營範圍和區域監管規定的通知) to all Zhujiang County Banks, reiterating that no Zhujiang County Banks shall be allowed to conduct cross-region operations. According to this guidance, all Zhujiang County Banks shall conduct self-check of cross-region operations. The risk management director of each Zhujiang County Bank shall be responsible to ensure that instances of cross-region operations shall be timely rectified.

Our Bank confirmed that three of the four Zhujiang County Banks mentioned above have terminated all cross-region operations other than those permitted by the regulatory authorities, while for the remaining one, all outstanding balance of cross-region loans will be due in or before August 2017, and no renewals will be granted.

Account reconciliation

In April 2016, CBRC Yantai Office notified Laizhou Zhujiang County Bank of its finding that the Operational Rules and Procedures on Reconciliation of Accounts of Laizhou Zhujiang County Bank (《萊州珠江村鎮銀行單位賬戶對賬管理辦法及操作規程》) did not contain the express requirement that all accounts of corporate clients be reconciled every half year. This was not in compliance with the Opinion on Prevention of Incidents, Job Rotation, Account Reconciliation and Internal Audit (《關於加強案件防控,落實輪崗、對賬及內審有關要求的工作意見》) promulgated by CBRC.

In April 2016, Laizhou Zhujiang County Bank revised its Operational Rules and Procedures on Reconciliation of Accounts, containing, among other things, the requirement that reconciliation be conducted periodically in accordance with the risk levels, procedures for preparation of reconciliation statements and setting out principles of separation of duties. Further, Laizhou Zhuijang County Bank also designated specific electronic forms to be used in the reconciliation process to ensure consistency and proper record keeping.

All Zhujiang County Banks have adopted their own rules and procedures on reconciliation of accounts in accordance with the applicable rules. Since the revision to the Operational Rules and Procedures on Reconciliation of Accounts of Laizhou Zhujiang County Bank, no Zhujiang County Bank has received any comments from CBRC regarding their own rules on the reconciliation of accounts. Our Bank confirms that all Zhujiang County Banks are in compliance with the relevant requirements.

PRICING

We take into account various factors in pricing or repricing, including benchmark interest rates and the floating range of interest rates announced by PBoC, cost of funds and management cost, risk and expected returns. We may also take into consideration the overall market conditions and the prices of comparable products and services provided by our competitors. Our pricing policy and pricing guidelines are finally decided by the Asset and Liability Committee under the senior management of our Head Office.

Loans

Before July 20, 2013, the interest rates of our RMB loans were determined according to benchmark interest rates set by PBoC and the interest rates of corporate loans and personal loans denominated in Renminbi must be no less than 70% of relevant PBoC benchmark interest rates. On July 20, 2013, PBoC completely removed lending rate restrictions on financial institutions and the floor interest rate applicable to RMB loans, except for personal housing mortgage rates. Under the current PBoC regulations, we may decide our lending rates based on commercial considerations other than personal housing mortgage rates. With respect to personal housing mortgage rates applicable to first home buyers, we offered minimum rates at 70% of PBoC's benchmark interest rates for the same tenor, effective from October 27, 2008, according to the requirements of PBoC. We set minimum rates for second home buyers at 110% of PBoC's benchmark interest rates for the same tenor, effective from April 17, 2010.

When determining the prices, we usually take into consideration, among others, of the financial position and credit rating of the borrower, nature and value of collateral, term of loans and prevailing market conditions as well as cost of funds and expected return rate. We may also take into account the regular pricing guidelines for loan products issued by our Head Office, pricing of other banks, our competitive strengths, customer loyalty and general contribution and prospects for future cooperation with the relevant customers.

Deposits

PBoC removed the cap on bank deposit interest rates on October 24, 2015, which allowed banks to set their deposit rates based on commercial considerations. We also determine the interest rate for deposits according to our cooperative relationship with certain customers and the prevailing market conditions.

Fee- and Commission-Based Products and Services

In respect of fee- and commission-based products that are subject to the fixed pricing or pricing guidelines of the PRC government, we determine their prices according to the price published by the government. In respect of other fee- and commission-based products, we determine their prices after taking into consideration factors including but not limited to, service costs, operation risks and market competitions.

MARKETING

We have established a sound marketing organizational system. Our Head Office is responsible for formulating overall business plans and goals, as well as bank-wide marketing guidelines and proposals. Our product R&D team is responsible for developing products and services that meet demands of our target customers. Our branches and sub-branches are responsible for specifying marketing objectives and organize marketing events according to the guidelines. In addition, we encourage cooperation and cross-selling of products and services among all departments and business lines.

In respect of our corporate banking business, as of December 31, 2016, our corporate banking business line had 176 marketing teams consisting of 734 marketing staff, who are responsible for among others, corporate banking marketing and customer management, including customer introduction, business consulting and product marketing. We have kept expanding our corporate banking customer base by adopting differentiated marketing strategies, including specialized team marketing model, supply-chain financing model and targeted market and business circle business model. We are committed to providing comprehensive and convenient financial services to small and micro enterprises. As of December 31, 2016, we had established 13 small and micro finance centers under our branches and sub-branches to support the development and marketing of our corporate banking business for small and micro enterprises. Leveraging our quality, efficient and professional financial services and our diversified financial products, we have been recognized by corporate customers in both Guangzhou and the Pan-Pearl River Delta Region.

In respect of our retail banking business, as of December 31, 2016, the retail banking business line of our Bank had 942 marketing staff. We seek to build a strong customer base with focus on high-net-worth individuals, tap deep into community finance, consumer finance, wealth management and other segments, and develop a distinctive product portfolio based on innovations and customer stratification. We have expanded the scale of retail banking business and optimized our business and customer structure by cross-selling, coordinated marketing and customer experience improvement. With respect to personal loans, we aim to develop inclusive finance, consumer finance and Internet finance and strive to provide our customers with accessible, efficient and professional retail finance services. With respect to our personal consumption loans, we try to wholesale consumer loans by fostering business ties with real estate developers and key rural credit cooperatives. We launch marketing campaigns through a combination of online and offline marketing model of our new consumption loan business. We leverage our extensive outlet coverage to launch bank-wide marketing campaigns. We strengthen our online marketing efforts on secondary development of high-quality existing customers and further exploration of general public customers. With respect to personal business loans, we design a designated credit approval process for wholesale personal business loans to customer clusters such as business circles, chambers of commerce, industrial chains and supply chains. We have been optimizing the layout of our outlets and promoting the development of community banks, we also promote their transformation from terminals of settlement business to terminals of marketing and terminals of customer experience. By enhancing services and marketing of community banks, we have established our refined community service platform. As of December 31, 2016, we had established 83 community banks which were in operation, which had improved the performance of our retail banking business. As a featured type of our outlets, the community banks locate in community-concentrated areas with substantial customer flow, including core large and medium communities and properties, focusing on communities in terms of location and customer positioning. Their operating strategies are flexibly formulated according to the consumption habits of community residents such as peak shift operation. Moreover, community banks have personalized and diversified layouts with focus on customer experience through provision of exclusive financial products and services and investment in intelligent and convenient facilities.

In respect of our financial market business, as of December 31, 2016, we have various marketing teams. They are responsible for the marketing and management of financial market business, including pre-investment marketing and advisory, internal reporting and investment, and post-investment management. Our financial market business coverage has extended to all interbank market members, ensuring our influence in the interbank market. Leveraging our outstanding business performance and efficient and professional service standards, we have established an excellent reputation in the financial market industry and became a well-known company.

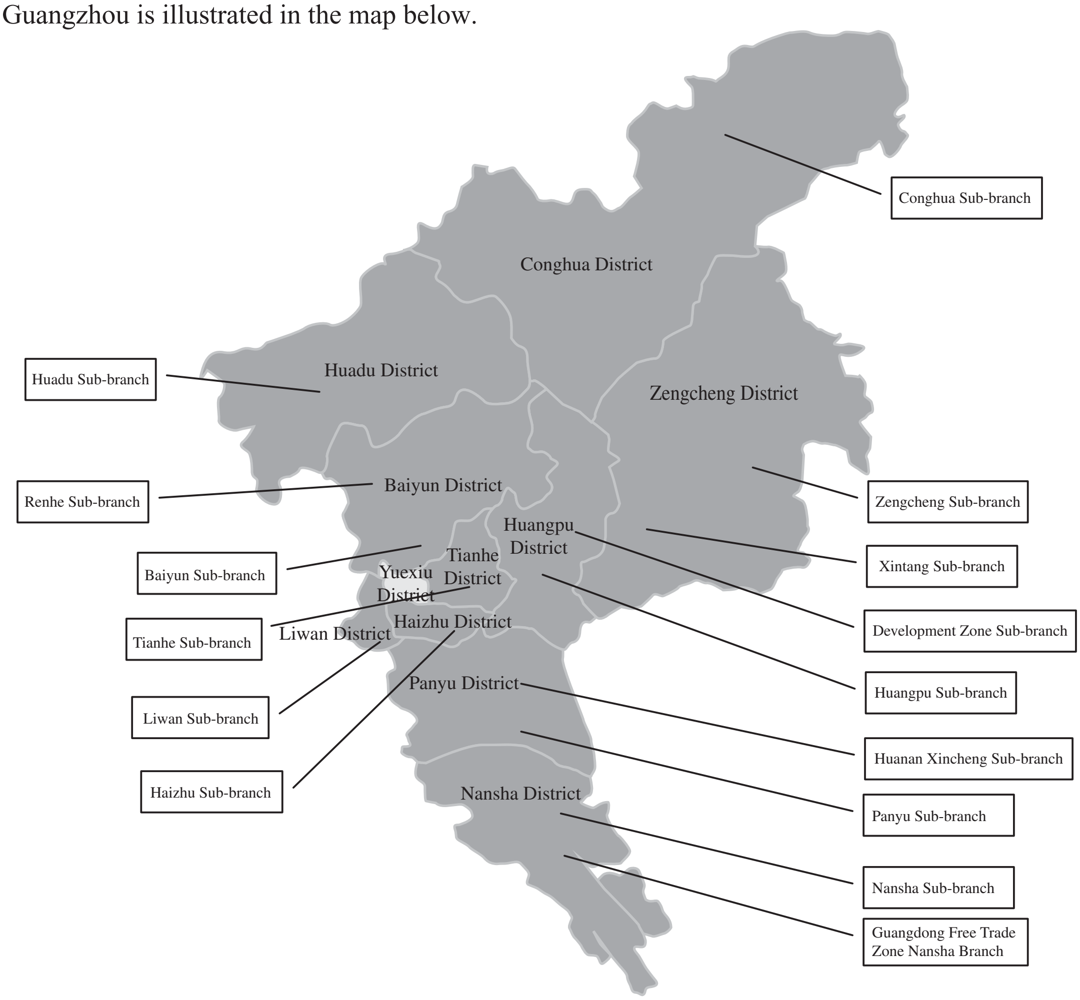
DISTRIBUTION NETWORK

We offer banking products and services via a wide range of distribution channels, including both outlets and e-banking channels. As of December 31, 2016, our Bank had, excluding the outlets of our Zhujiang County Banks, 625 outlets, including 618 outlets in Guangzhou, and five branches and two sub-branches outside Guangzhou. As of the same date, our Zhujiang County Banks had a total of 142 outlets. We also provided a variety of e-banking channels such as online banking, mobile banking, direct banking, WeChat banking, telephone banking, VTM and self-service banking.

Outlets

As of December 31, 2016, our Bank had, excluding the outlets of our Zhujiang County Banks, 625 outlets, of which 618 were located in Guangzhou, ranking first among all the commercial banks in Guangzhou. Our outlets are located across urban and rural areas of Guangzhou. In addition, as of December 31, 2016, we had five branches and two sub-branches outside Guangzhou, locating in the cities of Foshan, Qingyuan, Heyuan, Zhaoqing and Zhuhai in Guangdong Province. To further expand our geographical coverage and enhance the diversification of our financial products and services, we have also established 24 Zhujiang County Banks in nine provinces and municipality, which have enabled us to provide cross-region financial services to a wider customer base. As of the same date, our Zhujiang County Banks had a total of 142 outlets.

As of December 31, 2016, the distribution of central-level branch and sub-branches of our Bank in Guangzhou is illustrated in the map below.



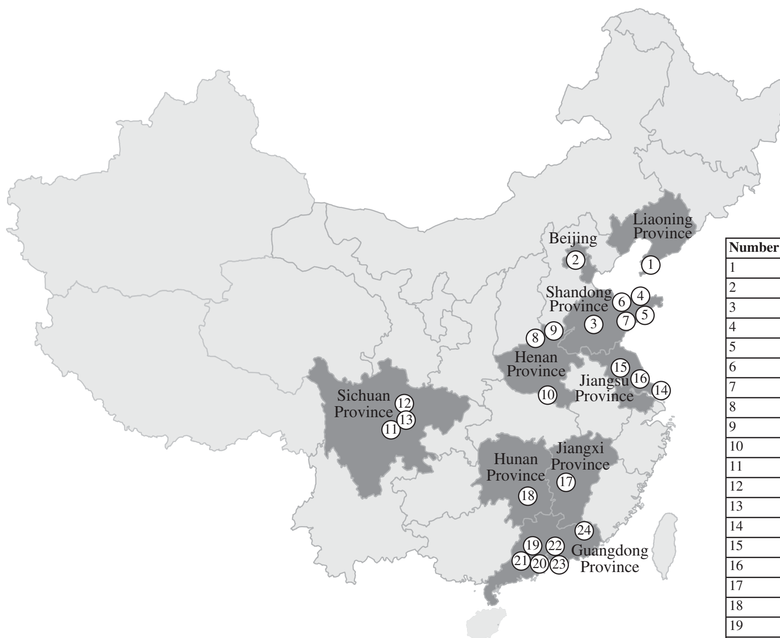
As of December 31, 2016, the distribution of branches and sub-branches of our Bank outside Guangzhou is illustrated in the map below.

The table below lists the number of outlets and their distribution by the geographical location of our Bank as of the dates indicated below.

	As of December 31,					
	2014		2015		2016	
City	Quantity	% of the total	Quantity	% of the total	Quantity	% of the total
Guangzhou	618	99.4%	618	99.4%	618	98.9%
Other Cities[(1)]	4	0.6	4	0.6	7	1.1
Total	622	100.0%	622	100.0%	625	100.0%

(1) Include Foshan, Qingyuan, Heyuan, Zhaoqing and Zhuhai in Guangdong Province.

As of December 31, 2016, the locations of our Zhujiang County Banks are illustrated in the map below.



Number	County Banks
1	Dalian Bonded Area Zhujiang County Bank Co., Ltd.
2	Beijing Mentougou Zhujiang County Bank Co., Ltd.
3	Laiwu Zhujiang County Bank Co., Ltd.
4	Yantai Fushan Zhujiang County Bank Co., Ltd.
5	Haiyang Zhujiang County Bank Co., Ltd.
6	Laizhou Zhujiang County Bank Co., Ltd.
7	Qingdao Chengyang Zhujiang County Bank Co., Ltd.
8	Huixian Zhujiang County Bank Co., Ltd.
9	Anyang Zhujiang County Bank Co., Ltd.
10	Xinyang Zhujiang County Bank Co., Ltd.
11	Pengshan Zhujiang County Bank Co., Ltd.
12	Guanghan Zhujiang County Bank Co., Ltd.
13	Xinjin Zhujiang County Bank Co., Ltd.
14	Jiangsu Qidong Zhujiang County Bank Co., Ltd.
15	Jiangsu Xuyi Zhujiang County Bank Co., Ltd.
16	Suzhou Wuzhong Zhujiang County Bank Co., Ltd.
17	Jizhou Zhujiang County Bank Co., Ltd.
18	Changning Zhujiang County Bank Co., Ltd.
19	Sanshui Zhujiang County Bank Co., Ltd.
20	Zhongshan Dongfeng Zhujiang County Bank Co., Ltd.
21	Heshan Zhujiang County Bank Co., Ltd.
22	Dongguan Huangjiang Zhujiang County Bank Co., Ltd.
23	Shenzhen Pingshan Zhujiang County Bank Co., Ltd.
24	Xingning Zhujiang County Bank Co., Ltd.

E-Banking Channels

To diversify our marketing channels and improve customer experience, we offer a wide range of e-banking channels, including online banking, mobile banking, direct banking, WeChat banking, telephone banking, VTM and self-service banking, which enable our customers to access financial services 24/7 via personal computers, smart phones, tablets and telephones. Our Internet Finance Business Department is responsible for the development of e-banking channels including online banking, mobile banking, direct banking and WeChat banking, and for product research and development and business management. In addition, our Retail Finance Department is responsible for the business management of our telephone banking, VTM and self-service banking.

Online Banking

We provide 24-hour online banking services via our official site (www.grcbank.com) to retail and corporate customers. Our corporate online banking provides a series of services including account management, transfer and remittance, payroll service, wealth management, international business, electronic statements, electronic slips and electronic bills. We also provide a wide range of services via our personal online banking, including account management, transfer and remittance, recharge and bill payment, wealth management, loans, electronic slips and credit card services. As of December 31, 2016, we had a total of approximately 1.95 million online banking users, including approximately 1.93 million retail customers and approximately 20,000 corporate customers.

Mobile Banking

Our customers may access to a wide range of services by installing an application developed by us on their cell phones or tablets. Such services include, among others, account management, transfer and remittance funds pooling, wealth management, credit card, Quick Pass and service appointment as well as daily services such as recharge and bill payment, "vehicle steward (車管家)" service, online shopping and outlets location guide. Our mobile banking service received the "Best Innovative Mobile Banking Award among Regional Commercial Banks (區域性商業銀行最佳手機銀行創新獎)" in 2013 and the "Best Mobile Banking Award among Regional Commercial Banks (區域性商業銀行最佳手機銀行獎)" in 2015 from China Financial Certification Authority. As of December 31, 2016, we had approximately 3.33 million mobile banking users.

Direct Banking

Our direct banking provides online integrated financial services including investment, financing and payment and settlement. Customers can register e-accounts online under their real names at any time. The wealth management services are characterized with low threshold and relatively flexible terms. The loan services are free of collateral and guarantees and provide online application, extension and repayment options. Adhering to the "open, interactive and sharing" service beliefs and capitalizing on the features of the Internet, our direct banking service adopts an online "scenario-based finance" business mode for offering financial products services targeting rural area, commercial and education application platforms. Our direct banking service was launched at the end of 2015 and had approximately 57,600 customers as of December 31, 2016. In 2016, the trading volume of financial products offered by our direct banking service amounted to approximately RMB1,080 million.

WeChat Banking

Leveraging the interactive feature and convenience of our WeChat platforms with our portal public account "Guangzhou Rural Commercial Bank" and "Sun Credit Card of Guangzhou Rural Commercial Bank," we provide various services to our customers, including the intelligent customer service, account inquiry, credit card services, outlet location search and appointment and search for special offering by designated merchants. As of December 31, 2016, we had approximately 140,000 WeChat banking users under our portal public account "Guangzhou Rural Commercial Bank" and approximately 556,000 WeChat banking users under our portal public account "Sun Credit Card of Guangzhou Rural Commercial Bank."

Telephone Banking

We provide corporate and retail customers with all-inclusive financial services 24 hours a day via our customer service hotline "95313". Telephone banking services include product inquiry, information search, account inquiry and management, lost-card reporting, transfer and remittance bill payment, credit card and complaint handling. In 2014, we received the approval from MIIT to use "95313" as our customer service hotline in China, being the first rural commercial bank in China approved by MIIT to use five-digit short codes as customer service hotline number.

VTM

Our VTM applies advanced intelligent interaction technology and provides our customers with one-to-one visualized and streamlined services under the assistance of customer service staff. As of

December 31, 2016, we have installed 25 VTMs, mainly in community banks in Guangzhou, aiming to improve customer experience and loyalty. We provide regular personal financial services through our VTMs, including remote account opening, contract signing, wealth management, loss reporting and cancelation and password management services. For instance, our VTM may only take a few minutes to issue a card and complete the signing of electronic contracts which is more efficient as compared to our traditional counter services. Meanwhile, transactions through our VTMs are characterized by paperless handling which enable us to improve our accuracy in providing services to our customers.

Self-Service Banking

We have deployed self-service banking facilities including ATMs, CRSs and BSTs, which provide 24/7 convenient and efficient self-services to customers such as balance inquiry, cash deposit and withdrawal, transfer and utility bill payment, and have effectively reduced our operation costs. As of December 31, 2016, our Bank had 2,590 ATMs and CRSs and 899 BSTs in 625 outlets and 615 off-bank stations and the number of our off-bank stations ranked top among all the commercial banks in Guangzhou.

INFORMATION TECHNOLOGY

Our main operational and management areas that rely upon information technology include business operations, customer services, product management, risk management and financial management. The advanced information technology systems and our outstanding IT team have continuously improved the efficiency of our services and management, customer experience and risk management capability. In 2014, 2015 and 2016, our total expenditure in the procurement and maintenance of information technology equipment, systems and related software and hardware was RMB158 million, RMB174 million and RMB170 million, respectively. We believe the effective use of information technology is critical not only to the efficient operation of our business but also to our success and growth. We will maintain our investment in the upgrading and maintenance of our information technology system.

Information Technology Management and Professional Team

We have established an Innovation and Technology Construction Committee under our senior management, which is mainly responsible for decision-making on matters relating to bank-wide IT management and overall coordination work, including informationalization and formulation of relevant development plans, information management regulations and standards and budgets control of information technology projects and deliberation for the feasibility of our major IT projects. Our vice president in charge of technology work and the relevant business director serve as the chairman and deputy chairman of our Information Technology Committee. Other members include heads of departments such as our IT Management Department, Retail Finance Department, Corporate Finance Department and Risk Management Department. The IT Management Department under our Head Office is responsible for the planning, selection, R&D and construction of our entire IT systems and the operation and maintenance of our entire IT systems and the environment-building safety management of supporting software and hardware.

We will continue to strengthen the recruitment and training for our information technology team. We have also built up a comprehensive professional development program covering, among others, recruitment, training, performance evaluation and appraisal, which has provided talents support for our information technology development. As of December 31, 2016, our information technology team consisted of 195 information technology experts and professionals, accounting for 2.8% of our total full-time employees.

Information Technology System

Our IT system adopts open platform technology, consisting of over 130 information systems, which are divided into six major categories including channel management, product management, customer management, finance management, decision-making support and internal management. Our IT system covers all aspects of our business operation management and provides effective support to our daily transactions and data processing as well as our future business development.

Our channel management system provides financial services to our customers through various channels such as outlets, self-service facilities, online banking and mobile banking. Our product management system provides application services covering all business aspects of our Bank in terms of products, accounts, funds and audits. Our customer management system manages the collection, compilation, storage and categorization and labeling of customer information on a bank-wide basis and provides standardized customer profile for our various marketing services, which allows efficient and accurate identification of various customer data. Our financial management system provides support for our budget and finance management. Our decision-making support system supports the management of our risks, assets and liabilities, finance and customers through centralized integration, storage, processing and analysis of our bank-wise business data. Our internal management system supports the business management of our human resources, daily operation and other aspects based on our operating needs.

We have also introduced various developed and advanced information technologies and established a leading information system in the PRC banking industry to cater for the needs of our current and future business development. For example:

- we have developed an advanced information system in order to facilitate the visualized and streamlined operation of our counter services;
- we have actively explored the application of big-data, and developed big-data application systems such as the databank, data control and management, historical data platform, centralized financial statements platform and performance appraisal of county banks, which provides strong technological support to our business development and operation management;
- we have proactively introduced and adopted new technology to our business, such as face recognition technology. Through collection and verification, pre-processing, features identification and matching of facial images, we compare our customers' facial image information through online ID check or with the customers' photos collected by us in order to support customer identification of relevant businesses. We have adopted this technology for verification of identity in our channel systems such as counters, mobile banking, direct banking and mobile marketing system. As compared with our traditional identity verification measures, facial recognition is more secured, confidential and convenient, which has significantly promoted our business development.

We have taken a number of security measures to ensure the reliability of our business systems. We have established disaster backup centers for application and data in Guangzhou and Chengdu, respectively. As of December 31, 2016, the disaster backup covered approximately 71% and 90% of our significant systems for application and data, respectively. With the application of a comprehensive monitoring system and a reporting monitoring system, we are able to timely identify and handle business malfunctions. Business operation data is backed up on a daily basis and system data is backed up on a regular basis to ensure the recoverability of business systems and data. As of the Latest Practicable Date, no data loss, system restoration failure or other major accidents and failures have occurred.

COMPETITION

Under the current macroeconomic environment and regulatory regime, the banking industry in China is becoming increasingly competitive. Principal competitive factors include capital strengths, risk management capabilities, talents, coverage of distribution networks, customer base, brand recognition, quality and pricing on products and services.

We compete primarily with commercial banks operating in Guangdong Province, especially those in Guangzhou. We compete with our competitors mainly on product portfolio and prices, service quality, brand recognition, distribution network and information technology capabilities. For information on the banking financial institutions in Guangdong Province, see "Industry Overview—Overview of China's Banking Industry—Banking Industry in Guangdong Province" With the rapid development of the banking industry and capital markets in the PRC, we also face increasing competition from other financial institutions.

In response to the increasingly intense competition and complicated development of the PRC banking industry, our strategic vision is to become a financial holding group with strong competitiveness and influence. To achieve synergies and cross-selling among various business segments to offer "one-stop, full-cycle and comprehensive" financial solutions in response to customers' needs, we pursue our strategies of developing comprehensive retail banking, investment banking, asset management and interbank banking with the support of an integrated platform. These initiatives will further transform us from a traditional commercial bank into an integrated financial service provider. We believe that the aforementioned development strategies will further enhance our competitiveness and we will maintain our leading position among our competitors in Guangzhou.

EMPLOYEES

As of December 31, 2014, 2015 and 2016, our Bank had 6,852, 6,958 and 7,053 full-time employees (excluding our subsidiaries), respectively. Most of our employees are based in Guangdong Province. The following table sets forth the number of our full-time employees by function and department as of December 31, 2016.

	As of December 31, 2016	
	Number of employees	% of total
Corporate banking business	938	13.3%
Retail banking business	1,682	23.9
Financial market business	109	1.6
Finance and accounting	135	1.9
Risk management and legal compliance	426	6.0
Information technology	195	2.8
Operation management	718	10.2
Administrative management	426	6.0
Tellers	2,104	29.8
Others	320	4.5
Total	**7,053**	**100.0%**

The following table sets forth the number of our full-time employees by age as of December 31, 2016.

	As of December 31, 2016	
	Number of employees	% of total
Aged below 30	1,802	25.6%
Aged 31 – 40	2,216	31.4
Aged 41 – 50	2,707	38.4
Aged over 50	328	4.7
Total	**7,053**	**100.0%**

The following table sets forth the total number of our full-time employees by education level as of December 31, 2016.

	As of December 31, 2016	
	Number of employees	% of total
Postgraduate and above	736	10.4%
Undergraduate	3,952	56.0
Others	2,365	33.5
Total	**7,053**	**100.0%**

During the Track Record Period, we had recruited 4,688 employees with undergraduate or above education background, including 3,952 with bachelor's degree and 736 with master's degree or above. As of December 31, 2014, 2015 and 2016, our subsidiaries had a total of 1,360, 1,631 and 1,849 employees, respectively.

We have made substantial investment in recruitment and training of our employees. We have established Zhujiang Business School for our internal training. We also integrate internal training with external experts training to provide job training to our employees, including those work at our front, middle and back offices. Our trainings cover a series of subjects such as bank management, marketing services, risk control and management, banking business as well as policies and regulations. Since the establishment of Zhujiang Business School in 2015, we had completed 1,079 employee training sessions with a cumulative total number of 81,226 attendees and training period totaled 731,034 hours as of December 31, 2016.

We have established a comprehensive performance evaluation and incentive mechanism and offered competitive compensation packages to our employees. Our employees' compensation package consist of base salary, performance bonuses and welfare. We offer competitive salaries to employees in order to ensure existing personnel stability and our appealingness to external talents. We provide benefits to our employees in accordance with the PRC laws and regulations on pension insurance, health insurance, unemployment insurance, work-related injury insurance and maternity insurance, housing provident fund and annuity provisions. We also provide appropriate statutory employee benefits programs as well as other welfare programs, including other allowances. During the Track Record Period and as of the Latest Practicable Date, no significant strikes or other labor disputes occurred that would materially affect our operations. Our management has maintained good relationships with the labor union and our employees.

Apart from full-time employees, we also had 994 dispatched workers employed by third-party labor dispatching agencies as of December 31, 2016. These dispatched workers are not our employees and generally do not hold key positions. We have not entered into any labor contracts with these dispatched workers. Instead, they have entered into labor contracts with third-party labor dispatching agencies. Therefore, we are not obliged to contribute social security funds for them according to the laws. However, in accordance with the employment agreements between us and the third-party agencies, we shall make payment for salaries, social security funds and other fees for such dispatched workers to the agencies, and the third-party agencies shall pay the salaries to the dispatched workers and contribute to the social security funds to relevant government authorities on behalf of the workers.

PROPERTIES

We are headquartered in Guangzhou, Guangdong Province in the PRC. As of the Latest Practicable Date, we owned 1,033 premises with an aggregate GFA of approximately 665,818.2 square meters in the PRC. As of the Latest Practicable Date, we owned nine parcels of land in the PRC with an aggregate site area of approximately 32,458.3 square meters. As of the Latest Practicable Date, we had 959 leased properties in the PRC with an aggregate GFA of approximately 230,137.9 square meters. As of the Latest Practicable Date, we had entered into purchase agreements with third parties to acquire 17 properties.

Self-Owned Properties

Premises

As of the Latest Practicable Date, we owned 1,033 premises with an aggregate GFA of approximately 665,818.2 square meters in the PRC, which are used primarily as our places of business, office and staff dormitories. As of the Latest Practicable Date, we have not obtained the land use right certificates and/or the building ownership certificates for the titles of 480 premises with an aggregate GFA of 303,193.5 square meters (representing approximately 45.5% of the total GFA of the properties owned by us). We have received clarification from the competent land and planning authorities and housing and construction authorities in respect of our properties in Guangzhou and Huixian, which confirmed that we had not been imposed of any administrative measures during the period from January 1, 2013 to December 31, 2016. Furthermore, we have received confirmation from the land and planning authorities of Guangzhou that no third party title claim was received in respect of our properties in Guangzhou as of September 30, 2016. Details of these properties are as follows:

- We have obtained building ownership certificates and state-owned land use right certificates for 538 premises with an aggregate GFA of approximately 355,773.6 square meters, accounting for approximately 53.4% of the aggregate GFA of the premises we owned, the land use rights of which have been granted to us. As of Latest Practicable Date, 8 of these properties were registered under the name of our predecessor, "Guangzhou Rural Credit Cooperative", or the former rural credit cooperatives, and we have been going through the registration procedures to transfer the title of these properties to us. As advised by King & Wood Mallesons, our PRC legal advisor, we are legally entitled to the building ownership rights of such properties and the land use rights to the land area occupied by such properties, and we have the right to legally occupy, use, transfer, lease, mortgage, or otherwise dispose of these properties.

- We have obtained building ownership certificates and state-owned land use right certificates for 15 premises with an aggregate GFA of approximately of 6,851.0 square meters, accounting for approximately 1.0% of the aggregate GFA of the premises we owned, the land use rights for which were obtained by allocation. As of the Latest Practicable Date, eight of these premises were registered under the name of our predecessor, "Guangzhou Rural Credit Cooperative", or the former rural credit cooperatives, and we have been going through the registration procedures to transfer the title of these properties to us. We have obtained the letter issued by the competent governmental authorities responsible for the administration of state-owned land and planning in Guangzhou, confirming that we may, in accordance with relevant regulations, continue to occupy and use these properties, which are registered and the land use rights for which were obtained by allocation in Guangzhou, before we proceed to complete relevant procedures to obtain the granted land use rights. As advised by King & Wood Mallesons, our PRC legal advisor, as we have obtained the building ownership certificates of the properties, there are no substantive legal impediments for us to occupy and use such properties according to the PRC laws. The transfer, leasing and mortgage of the properties on the allocated land will be subject to restriction until we have obtained the land use rights of the land occupied by such properties through transfer or lease in accordance with the law. We are in the process of paying the land granting fee for the state-owned land parcels occupied by such properties.

- We have obtained the building ownership certificates for 19 premises with an aggregate GFA of approximately 5,096.3 square meters, accounting for approximately 0.8% of the aggregate GFA of the premises we owned, but we have not obtained the land use right certificates of the state-owned land parcels occupied by such premises. For the land parcels occupied by four of these premises with an aggregate GFA of approximately 476.6 square meters, we have not obtained the land use right certificates for the state-owned land parcels in the apportioned area as the local branches of the Ministry of Land and Resources may not issue separate land use right certificates for such state-owned land parcels or the real estate developers have not separated the land use right certificates due to objective reasons. Such properties represented 0.1% of the aggregate GFA of the premises we owned. For the land parcels occupied by the remaining 15 premises with an aggregate GFA of approximately 4,619.7 square meters, we have not obtained the land use right certificates of the state-owned land parcels primarily due to incomplete construction documentations, information losses or other historical issues. Such properties represented 0.7% of the aggregate GFA of the premises we owned. As of the Latest Practicable Date, seven of these premises were registered under the name of the former rural credit cooperatives, for which we have been going through the registration procedures to transfer the title of these properties to us. As advised by King & Wood Mallesons, our PRC legal advisor, in respect of such properties without land use right certificates, there are no substantive legal impediments for us to occupy and use such properties according to the PRC laws as we have obtained the building ownership certificates of the properties. However, such properties may not be freely transferred, mortgaged or otherwise disposed of before we have obtained the relevant land use right certificates evidencing granted land use rights for there parcels. If the lands occupied by such premises are auctioned or disposed of due to circumstances caused by the land use right holders, our properties on the land will also be auctioned or disposed of together with the lands. Under such circumstances, we may lose the ownership of such properties, but shall be entitled to receive the proceeds realized from the auction or disposal of the properties. Since the properties are located in different regions, King & Wood Mallesons, our PRC legal adviser, is of the view that it is unlikely that all or substantially all of the land use rights and properties are auctioned or disposed of at the same time. We plan to conduct further property document searches and engage relevant agencies to complete the relevant procedures to obtain the relevant land use right certificates of the state-owned land parcels for the above properties as soon as possible.

- We have not obtained the building ownership certificates for 54 premises with an aggregate GFA of approximately of 67,118.6 square meters due to historical reasons, but we have obtained the land use right certificates of the state-owned land parcels occupied by such premises. These properties accounted for approximately 10.1% of the aggregate GFA of the premises we owned. As of the Latest Practicable Date, 53 of these premises were registered under the name of our predecessor, "Guangzhou Rural Credit Cooperative", or the former rural credit cooperatives, and we have been going through the registration procedures to transfer the title of these properties to us. In terms of the methods of obtaining the land use rights for the above 54 premises, the land use rights for state-owned land parcels occupied by 20 premises with an aggregate GFA approximately 14,350.6 square meters, or approximately 2.2% of the aggregate GFA of the premises we owned, were obtained by allocation; the land use rights for state-owned land parcels occupied by 20 premises with an aggregate GFA approximately 44,592.2 square meters, or approximately 6.7% of the aggregate GFA of the premises we owned, were granted; the land use right for the state-owned land parcels occupied by one premise with a GFA approximately 2,640.6 square meters, or approximately 0.4% of the aggregate GFA of the premises we owned, were transferred; we are unable to ascertain the method of obtaining the land use rights for state-owned land parcels occupied by 13 premises with an aggregate GFA approximately 5,535.2 square meters, or approximately 0.8% of the aggregate GFA of the premises we owned. As advised by King & Wood Mallesons, our PRC legal advisor, we may only have the legal rights to occupy, use, transfer, lease, mortgage or otherwise dispose of our properties on the allocated land area after we obtain the building ownership certificates and the land use right certificates evidencing granted or leased land use rights for the land parcels occupied by the properties; For the properties on the land parcels where we have obtained granted or other types of paid-for land use rights, we may only have the legal rights to occupy, use, transfer, lease, mortgage or otherwise dispose of our properties after we obtain the building ownership certificates. Having considered that we have received the land use right certificates of the land occupied by the properties, no third party title claim in respect of the properties has been received, no administrative measures have been imposed by the competent authorities and that the properties are located in different districts, King & Wood Mallesons, our PRC legal advisor, is of the view that it is unlikely that we are required to be removed simultaneously from all or most of the properties. For the properties without building ownership certificates aforementioned, we plan to conduct further property document searches and engage agencies to complete the relevant procedures to obtain the relevant building ownership certificates as soon as possible. In addition, for the properties for which we have obtained the land use rights for the state-owned land parcels by allocation, we are in the process of paying the land granting fee for the state-owned land parcels occupied by such properties.

- We purchased and occupied two premises with an aggregate GFA of approximately 1,066.5 square meters, representing approximately 0.2% of the aggregate GFA of the premises we owned. These premises have been delivered to us for use. The real estate developers are applying for the inspection and acceptance of completion from the government authorities. As such, the relevant building ownership certificates and state-owned land use right certificates have not been issued. As for these two premises, we have entered into purchase agreements with the relevant real estate developers and the sellers of the above commercial properties have obtained legal and valid pre-sale permits. Besides, we have paid the purchase price according to the agreement. As advised by King & Wood Mallesons, our PRC legal advisor, the property purchase agreements we entered into with the real estate developers are in compliance with the PRC laws. However, given the inspection and acceptance of completion procedures with the government authority are yet to be completed, our use of such properties may be subject to the risks of suspension by the authorities. Having considered that the property developers are in the process of application for inspection and acceptance of completion from government authorities and the property purchase agreements entered into between us and the developers are in compliance with the PRC laws, King & Wood Mallesons, our PRC legal advisor, is of the view that it is unlikely that we are required to be removed from such properties.
- We have not obtained building ownership certificates and state-owned land use right certificates for 14 premises occupied by us with an aggregate GFA of approximately of 12,451.9 square meters due to historical reasons, accounting for approximately 1.9% of the aggregate GFA of the premises owned by us. Eight of the above premises were registered under the name of third parties and have not been transferred to us. We plan to engage agencies to obtain new building ownership certificates or transfer the registered title. As advised by King & Wood Mallesons, our PRC legal advisor, we may legally occupy, use, transfer, lease, mortgage or otherwise dispose of these properties only after we obtain relevant building ownership certificates and granted or leased land use rights. Having considered that we have received clarification from the competent authorities that no third party title claim in respect of the title-defective properties has been received, no administrative measures have been imposed by the competent authorities and that the properties are located in different districts, King & Wood Mallesons, our PRC legal advisor, is of the view that it is unlikely that we are required to be removed simultaneously from all or most of the properties.

- The lands occupied by 151 premises with an aggregate GFA of approximately of 85,538.0 square meters occupied by us, accounting for approximately 12.8% of the aggregate GFA of the premises we owned, are collectively-owned land areas. We have obtained the collectively-owned land and building ownership certificate for one property, the building ownership certificate for one property, collectively-owned construction land use right certificates for nine properties, homestead certificates for 104 properties, and homestead certificates or collectively-owned land and building ownership certificates registered under the names of individual villagers or others persons for 26 properties. We have not obtained any ownership certificates for 10 of these properties. Among the properties registered under our names, 114 properties were registered under the names of the former rural credit cooperatives and one was registered under the name Hui County Zhujiang Village Town Company Limited. In respect of the above properties on collectively-owned land areas, we have obtained 123 written confirmations from the owners of these land areas for an aggregate GFA of approximately of 74,677.5 square meters (in cases where the application for constructions were made in the names of individual villagers, the relevant confirmation documents of each individual villager or his/her heirs have also been obtained). According to such written confirmations, the owners (and individual villagers or their heirs) of the relevant collectively-owned land areas confirmed that they have agreed to provide the collectively-owned land areas for our uses, while the buildings erected thereon were constructed (or purchased or owned by us) at our own costs, and that they do not object our occupation and use of such land parcels and the buildings thereon and agreed that we can continue to occupy and use such land parcels and the buildings thereon. The GFA of such properties accounted for approximately 11.2% of the total GFA of the premises we owned. In addition, the competent governmental authorities responsible for the administration of state-owned land and planning in Guangzhou has issued a letter confirming that, as we have obtained written confirmation documents from relevant collective organizations in respect of these properties on certain collectively-owned land area in Guangzhou, we are allowed to exercise relevant rights as set out therein. As advised by King & Wood Mallesons, our PRC legal advisor, we may legally occupy, use, transfer, lease, mortgage or otherwise dispose of such properties only after we have completed the procedures of converting the above-mentioned collectively-owned land into state-owned land and obtained granted or leased land use rights and building ownership certificates. Given that we have obtained relevant ownership certificates, the confirmation letters from the owners (and individual villagers or their heirs) of the collectively-owned land areas and the letter from the competent governmental authorities responsible for the administration of state-owned land and planning in Guangzhou in respect of substantially all of these properties, and that such properties are located in different regions, King & Wood Mallesons, our PRC legal adviser, is of the view that it is unlikely that we are forced to relocate from all or substantially all of these properties at the same time. In respect of such properties, we plan to transfer those that are not held for business purposes through sales or other means.

- For 240 premises with an aggregate GFA of approximately of 131,922.3 square meters occupied by us, accounting for approximately 19.8% of the aggregate GFA of the premises owned by us, we cannot ascertain the nature of the land parcels occupied by such premises due to lack of information. In respect of 154 of these premises with an aggregate GFA of approximately 89,786.0 square meters, we have obtained the written confirmations by the collective organizations where the properties are located. According to these confirmations, the collective organizations confirmed that such premises were constructed (or purchased or owned by us) at our own costs, and they do not object our occupation and use of such land parcels and the buildings thereon. The GFA of such properties accounts for approximately 13.5% of the total GFA of the premises we owned. In addition, in accordance with a letter issued by the competent governmental authorities responsible for the administration of state-owned land and planning in Guangzhou, they have not received any objection in respect of the ownership of above properties in Guangzhou from any third party as of September 30, 2016. As advised by King & Wood Mallesons, our PRC legal advisor, provided that such land areas are state-owned (or collectively-owned land, which we shall convert into a state-owned land according to laws), we may have the legal right to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties only after we obtain granted or leased land use rights of the land parcel occupied by such properties and obtained relevant building ownership certificates. Given that we have obtained the letter issued by the competent governmental authorities responsible for the administration of state-owned land and planning in Guangzhou in respect of substantially all the above-mentioned properties of unidentifiable nature, that we have obtained the confirmations from the collective organizations in respect of most of such properties, and that such properties are located in different regions, King & Wood Mallesons, our PRC legal adviser, is of the view that it is unlikely that we are forced to relocate from all or substantially all of these properties at the same time. We plan to obtain the relevant ownership certificates after verifying the nature of the land areas occupied by the above properties through further property document searches. We plan to transfer the properties that are not held for business purposes subject to the requirements of relevant law.

As of the Latest Practicable Date, our business operations have not been subject to any material adverse effect due to the above properties with title defects, and we were not required by relevant government authorities or any third parties to cease from using the above-mentioned properties, or subject to any fines or claims for compensations. Our Directors are of the view that, if necessary, we will be able to replace these title-defective properties with other similar properties in a timely manner and the relevant replacement cost will not have material adverse effects on our overall operational and financial condition. Therefore, none of the properties with title defects, whether individually or collectively, will have a material effect on our operations.

Land

As of the Latest Practicable Date, except for the land areas occupied by the above premises, we owned nine parcels of land of approximately 32,458.3 square meters in total. We have not constructed any building on such parcels of land, or the buildings erected thereon have been demolished and have not yet to be reconstructed. Details of such parcels of land are as follows:

- We have obtained the state-owned land use right certificates for three parcels of land of approximately 195 square meters in total occupied by us. The buildings erected thereon have been demolished for more than two years and have not yet to be reconstructed. Such parcels of land account for approximately 0.6% of the total land owned by us. As advised by King & Wood Mallesons, our PRC legal advisor, there will be risk that the above-mentioned land parcels may be forfeited by local PRC government of the local level or above as the land parcels are left idle after the buildings thereon have been demolished for more than two years.

- We have obtained the state-owned land use right certificates for four parcels of land of approximately 11,971.4 square meters in total occupied by us through ways of grant. Such parcels of land account for approximately 36.9% of the total land owned by us. In respect of one land parcel, the term of validity of the relevant land use right commenced from April 1, 2003, but the construction commencement date is uncertain due to the lack of documents. In respect of the three other land parcels, the constructions on such land parcels have not yet commenced for more than two years from the commencement dates specified in the "Contracts for the Grant of State-owned Land Use Rights (《國有土地使用權出讓合同》)." The postponed construction of one of the above three land parcels located in Jizhou, Jiangxi was identified by the competent authorities of land and resources to be caused by government and its relevant departments' behavior. Another one of the above three land parcels was leased to other companies as parking lot. As advised by King & Wood Mallesons, our PRC legal advisor, apart from the one in Jizhou, the other two parcels of land are exposed to the risk of forfeiture of land use rights by the competent authorities of land and resources as the construction on such parcels of land has not yet commenced for more than two years from the agreed construction commencement date. For the other land parcel without specified construction commencement date, if we have not started the development of the land and the commencement date as specified in the "Contract for the Grant of State-owned Land Use Rights (《國有土地使用權出讓合同》)" has not expired or has expired for less than one year, we may still have the right to occupy, use, transfer, lease, mortgage or otherwise dispose of the land use right of such land within the term of validity of the relevant land use right. However, if we have not started the construction and the commencement date as specified in the "Contract for the Grant of State-owned Land Use Rights (《國有土地使用權出讓合同》)" has expired for one year or above, we may be exposed to the risk of being charged with idle land fee by competent authorities of land and resources. If we have not started the construction on the land and the commencement date as specified in the "Contract for the Grant of State-owned Land Use Rights (《國有土地使用權出讓合同》)" has expired for two years or above, such land may be exposed to the risk of being forfeited.
- In respect of one parcel of land of approximately 509.6 square meters occupied by us, we have not obtained any information about the property title and cannot ascertain the nature of land. The parcel of land is used by us as parking lot. Such parcel of land accounts for approximately 1.6% of the total land owned by us. As advised by King & Wood Mallesons, our PRC legal advisor, as such land parcel has been left idle, it is exposed to the risk of being forfeited by local PRC government of the local level or above.
- For one parcel of land of approximately 19,782.3 square meters occupied by us, we have entered into the "Contract for the Grant of State-owned Land Use Right (《國有土地使用權出讓合同》)" and settled the land granting fee, but we have not obtained the relevant state-owned land use right certificate. Such parcel of land accounts for approximately 60.9% of the total land owned by us. As of the Latest Practicable Date, the construction on such parcel of land has not yet commenced for more than two years from the commencement date specified in the "Contract for the Grant of State-owned Land Use Right (《國有土地使用權出讓合同》)." As advised by King & Wood Mallesons, our PRC legal advisor, as the construction on such parcel of land has not yet commenced for more than two years from the commencement date specified in the "Contract for the Grant of State-owned Land Use Right (《國有土地使用權出讓合同》)," the land is exposed to the risk of being forfeited by the competent authorities of land and resources.

- For the above-mentioned land parcel located in Jizhou, Jiangxi, we are in negotiation with the local government in respect of the execution of a supplemental agreement re-determining the date of commencement and completion and will start the construction of an office building after obtaining the construction approval. For the remaining eight land parcels, we plan to communicate with competent authorities to transfer such land parcels in accordance with laws.

As of the Latest Practicable Date, our business operations and financial condition have not been subject to any material adverse effects due to the above defective land use rights. As the net book value of the above defective land use rights only accounts for a small percentage of our net assets and we have no other business that was involved in the use of such parcels of land apart from the two parcels of land used as parking lots, our Directors are of the view that, none of the above parcels of land with title defects, whether individually or collectively, have material adverse effects on our operation and financial position.

Leased Properties

As of the Latest Practicable Date, we held 959 properties in the PRC under leases with an aggregate GFA of approximately 230,137.9 square meters, which were mainly used as business premises or offices. Details of these properties are as follows:

The lessors of 410 of our leased properties (with an aggregate GFA of approximately 122,266.4 square meters, accounting for approximately 53.1% of the aggregate GFA of our leased properties) have obtained the building ownership certificates of the properties or relevant documents from the owners of the properties which entitle them to sub-lease or authorize them to lease such properties, and also have obtained the statutory approval documents (if necessary) for leasing such properties. King & Wood Mallesons, our PRC legal advisors, advised that these lessors may lease these properties and these leases are legal and valid.

The lessors of 549 of our leased properties (with an aggregate GFA of approximately 107,871.5 square meters, accounting for approximately 46.9% of the aggregate GFA of our leased properties) have not provided building ownership certificates or documents which entitle them to sub-lease or authorize them to lease such properties or the statutory approval documents (if necessary) for these leasing. These properties are mainly used as our business premises or offices. We have urged the lessors to provide the above entitlement documents to us. The lessors of 422 of such properties (with an aggregate GFA of approximately 71,990.8 square meters, accounting for approximately 31.3% of the aggregate GFA of our leased properties) have provided letters confirming their legal right to lease these properties and undertaking to indemnify us for our losses attributable to the defects in such leased properties. King & Wood Mallesons, our PRC legal advisor, advised that if these lessors do not have the title to such properties or have not obtained the relevant documents from the owners of the properties which entitle them to sub-lease or authorize them to lease such properties or the statutory approval for the leasing (if necessary), the leasing agreements may be deemed invalid. Our leases of these properties may be affected. In that case, we have the right to claim for indemnification by the lessors pursuant to their letters of undertaking. Additionally, in the event that the lessors have entered into more than one leasing agreement in respect of the same property, we may still be deemed the legal lessee of such property in accordance with relevant laws.

As of the Latest Practicable Date, we completed the registration and filing procedures of 249 of our 959 leased properties, with an aggregate GFA of approximately 66,938.0 square meters, accounting for approximately 29.1% of the GFA of our leased properties.

King & Wood Mallesons, our PRC legal advisor, advised that the failure of the registration and filing formalities of the leasing agreements for the leased properties will not affect the validity of these leasing agreements, but the competent housing authorities may order us to register and file the lease in a prescribed period of time, failing of which may be result in fines of RMB1,000 or more and up to RMB10,000 per lease against us. As such, we are entitled to use these properties in accordance with the leasing agreements. If we are unable to complete the registration and filing formalities according to the requirements of the competent housing authorities, we may be subject to fines by the competent authorities. If we are subject to penalties or losses due to failure to complete the registration and filing formalities for the leased properties as a result of their title defects, we will have the right to claim for indemnification by the lessors pursuant to their undertakings. During the Track Record Period, we were not subject to any administrative penalties imposed by the competent housing authorities for the failure to registration and filing the leasing agreements.

As of the Latest Practicable Date, the leasing agreements for 25 of our leased properties (with an aggregate GFA of approximately 3,645.8 square meters, accounting for approximately 1.6% of the aggregate GFA of our leased properties) was expired. As of the Latest Practicable Date, the lessors of these properties allowed us to continue to use the properties and we have been negotiating with the lessors for the renewal of these leases and going through the relevant formalities. King & Wood Mallesons, our PRC legal advisor, advised that the relevant lease renewal procedures we are going through due to the expiration of these lease agreements have no material adverse effects on our normal operation activities.

Our Directors are of the view that, in the event that we are forced to relocate from the affected properties due to the defects of the building ownership of such leased properties or our failure to register and file the leasing agreements, we will be able to relocate to alternative business premises in the relevant regions through legal leases in a timely manner, and such relocations will have no material adverse effect on our operational and financial conditions.

Newly Acquired Properties

As of the Latest Practicable Date, we had purchased 17 properties with an aggregate GFA of approximately 3,046.0 square meters as agreed in the purchase agreement, which has not been delivered to us yet. We have entered into a commercial property purchase agreement with the real estate developer, who has obtained the legal and valid pre-sale permit for this property. King & Wood Mallesons, our PRC legal advisor, advised that the commercial property purchase agreement between us and the real estate developer is in compliance with the PRC laws.

Property Evaluation

As of the Latest Practicable Date, we did not have any single property with a book value accounting for 15% or more of our total assets. Our Directors are of the view that, in connection with the Global Offering, we are not required to set out all of our interest in lands and buildings in the valuation report described in paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance according to Chapter 5 of the Listing Rules and section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Intellectual Property Rights

We operate under the name "Guangzhou Rural Commercial Bank (廣州農商銀行)." As of December 31, 2016, we owned 173 registered trademarks in the PRC. We are also the registered owner of the domain name, www.grcbank.com. See Appendix VII—"Statutory and General Information—3. Further Information about Our Business."

LEGAL AND REGULATORY

Licensing Requirements

During the Track Record Period and as of the Latest Practicable Date, we had obtained all necessary qualifications for operation of our current businesses.

Legal Proceedings

As of the Latest Practicable Date, we have been involved in one material pending legal proceeding with underlying amount of more than RMB10 million as a defendant or respondent, which involved RMB35 million.

The mortgage contract disputes between Shanghai Weiheng Investment Management Co., Ltd. (上海偉恆投資管理有限公司) and the Huangpu Sub-branch of our Bank

In December 2014, Shanghai Weiheng Investment Management Co., Ltd., as the plaintiff, filed a lawsuit in Songjiang District People's Court (Shanghai). The plaintiff claimed that it had entered into a maximum-amount mortgage contract with Huangpu Sub-branch of our Bank on May 8, 2014. Pursuant to the contract, the plaintiff mortgaged its real estate to secure debts of no more than RMB70 million incurred by Guangzhou Anda Supply Chain Co., Ltd. ("Anda Company") (廣州安答供應鏈有限公司(「安答公司」)) from May 22, 2014 to November 22, 2014. Meanwhile, Huangpu Sub-branch of our Bank and Anda Company signed a loan contract, pursuant to which, Anda Company borrowed RMB35 million from Huangpu Sub-branch of our Bank for a term from May 22, 2014 to November 22, 2014. Subsequently, the plaintiff found out that such borrowings of RMB35 million was used for repaying credit loans due to Huangpu Sub-branch of our Bank by Guangzhou Xiongzhi Technology Co., Ltd. ("Xiongzhi Company") (廣州雄志科技有限公司 (「雄志公司」)), and Xiongzhi Company and Anda Company have the same de facto controller. The plaintiff claimed that Huangpu Sub-branch of our Bank colluded with Anda Company to recover credit facilities due from Xiongzhi Company and induced the plaintiff to sign the maximum-amount mortgage contract with our Huangpu Sub-branch without its knowledge of the debt of Xiongzhi Company so as to recover the debt due from Xiongzhi Company by exercising the lien. The plaintiff alleged to the court for revocation of the maximum-amount mortgage contract and release of its mortgaged properties.

On May 9, 2016, Songjiang District People's Court (Shanghai) made its first trial judgment which supported the claims of the plaintiff and ruled that the maximum-amount mortgage contract between the plaintiff and Huangpu Sub-branch of our Bank should be revoked and ordered Huangpu Sub-branch of our Bank to deregister all mortgaged properties involved in the case within 10 days after the judgment took effect. Huangpu Sub-branch of our Bank appealed against the first trial judgment to Shanghai Municipal No. 1 Intermediate People's Court. The appeal court held that the loans granted to Anda Company by Huangpu Sub-branch of our Bank were roll-over loans for the purpose of repaying debt due from Xiongzhi Company, and Huangpu Sub-branch of our Bank and Anda Company intentionally concealed such purpose of borrowings. In September 2016, Shanghai Municipal No. 1

Intermediate People's Court made the second trial judgment and overruled the appeal of Huangpu Sub-branch of our Bank and affirmed the original judgment. Huangpu Sub-branch of our Bank applied for retrial, which was accepted for hearing by the Shanghai High People's Court in March 2017. As of the Latest Practicable Date, we had made full provision for the abovementioned loan. In the course of granting the loan to Anda Company, Huangpu Sub-branch of our Bank did not "collude" with Anda Company to deceive the plaintiff as the plaintiff alleged. The loan contract entered into by Huangpu Sub-branch of our Bank with Anda Company has stated clearly that the purpose of the borrowings was to repay the debt of Xiongzhi Company, and the plaintiff signed the maximum-amount mortgage contract with Huangpu Sub-branch of our Bank as guarantor with knowledge of the said purpose and raised no objection. None of the Directors, Supervisors or senior management of our Bank is involved in this case. In addition, such loan was reviewed and approved pursuant to our standard loan approval procedures, and the loan approval procedures were strictly in compliance with the requirements of our Bank. Therefore, we are of the view that there is no non-compliance or any deficiency regarding the internal control. As of the Latest Practicable Date, we had not been subject to any fine or penalty imposed by any regulatory authority due to this case.

As of the Latest Practicable Date, none of our Directors, Supervisors or senior management was involved in any material legal, arbitral or administrative proceedings.

Regulatory Inspections and Proceedings

Administrative Penalties

We are subject to inspections and review by various PRC regulatory authorities, including PBoC, CBRC, SAFE, SAT and NDRC and their respective local offices and branches. Administrative penalties may be imposed as a result of the outcome of such inspections and review.

During the Track Record Period and as of the Latest Practicable Date, we were subject to a total of 23 cases of fines and other administrative penalties by PRC regulatory authorities (excluding tax authorities) with total fines of approximately RMB5.7 million. The non-compliance issues mainly involved the following:

- A total of nine administrative penalties were imposed by CBRC and its agencies with total fines of approximately RMB1.7 million mainly for (1) the violation of our credit business against the prudential operation principle; (2) the incompliance of the disbursement of loans with other relevant requirements; and (3) the violations of the collection of fees against the regulations. The violation mainly included the incompliance of loan disbursement with relevant regulations, violation of the relevant requirement of extension of loans to a single group client with credit amount, credit application for ineligible clients, the embezzlement of loan, the split of loans of several borrowers and the violation of collection of fees for our bill acceptance business against the regulations. Among which, there were a total of six administrative penalties with fines of RMB200,000 or more, which involved illicit bank credits extension and illicit loan disbursement. The details were as follows:
  - In February 2017, Jizhou Zhujiang County Bank was subject to a fine of RMB200,000 by CBRC Ji'an Office because it turned certain loans into deposits that violated the prudent operation principle.
  - In November 2016, Zhongshan Dongfeng Zhujiang County Bank was imposed a fine of RMB300,000 and was required to take rectification measures by CBRC

Zhongshan Office for its extension of loans to a single group client with credit amount representing more than 15% of its net share capital;

- In January 2016, Tianhe Sub-branch of our Bank was imposed a fine of RMB200,000 and rectification measures as required by CBRC Guangdong Office because it failed to strictly comply with the regulations to make entrusted loan payment during the grant of fixed asset loans to borrowers;

- In December 2015, Liwan Sub-branch was imposed a fine of RMB200,000 and rectification measures as required by CBRC Guangdong Office due to the disbursement of working capital loans to the borrowers who had no need of working capital;

- In October 2015, Beijing Mentougou Zhujiang County Bank was imposed a fine of RMB200,000 by CBRC Beijing Office because the process of loans application, loans disbursement and post-disbursement management failed to strictly comply with the applicable regulations. It approved loans applications of certain ineligible clients and failed to examine the applicants' usage of loans which violated the requirements of the contracts prior to the grant of such loans and there were deficiencies in its post-disbursement management; and

- In August 2015, Suzhou Wuzhong Zhujiang County Bank was imposed a fine of RMB300,000 and was required to identify responsible persons and to impose disciplinary penalties by CBRC Suzhou Office for its violation of relevant regulations by indirectly granting loans to a single borrower through splitting up the loans of several borrowers.

- A total of seven administrative penalties were imposed by PBoC and its agencies with total fines of approximately RMB0.5 million, mainly for (1) inaccurate loan statistics; and (2) deficiencies in client identification and anti-money laundering risk classification. Such incompliance issues mainly included moderately high degree of statistical errors with regard to domestic loans to large, medium, small and micro enterprises and agriculture-related loans, the failure to report by law with respect to large-sum transactions and suspicious transactions, incorrect customer classification and failure to submit financial statistics in accordance with relevant regulations as well as the failure of customer identification and anti-money laundering risk classification in accordance with the regulations. Among which, there were a total of two administrative penalties with fines of RMB200,000 or more. The details were as follows:

  - In November 2016, Guanghan Zhujiang County Bank was imposed a fine of RMB200,000 by PBoC Deyang Sub-branch for its failure to verify the identification of customers and classify the customer risk level within the required period of time in accordance with the relevant requirements;

  - In June 2016, Jiangsu Qidong Zhujiang County Bank and the person in charge of anti-money laundering were imposed fines of RMB200,000 and RMB10,000, respectively, by PBoC Nantong Branch due to the fact that the bank failed to take effective customer identification measures during the operation, classify anti-money laundering risks of customers as required, clarify the reasons for manual identification of suspicious transactions and duly report large-sum transactions.

- A total of seven administrative penalties were imposed by other competent authorities (including the development and reform department and the comprehensive city administration department) with total fines of approximately RMB3.5 million, mainly for (1) the violation of the collection of financial advisory fees and commissions against the regulations; and (2) illicit construction. Such non-compliance mainly related to the collection of financial advisory fees from certain borrowing companies bundled with loans and collection of commissions for the grant of entrusted loans to borrowers as well as the failure to maintain strict compliance with the construction plans in respect of the renovation. Among which, there was one administrative penalty with total amount of fines of RMB200,000 or more. The details were as follows:
  - In July 2014, Panyu Sub-branch was ordered to return illegal fees collected of approximately RMB3.4 million, and pay a fine of equivalent amount to the Guangdong Provincial Development and Reform Commission because it collected financial advisory fees from certain borrowing companies bundled with loans without provision of corresponding services and charged commissions for the grant of entrusted loans to borrowers, with an illegal fees collected of approximately RMB3,417,000 in total.

As of the Latest Practicable Date, we had paid the fines of all the abovementioned administrative penalties (not tax related) with a total amount of approximately RMB5.7 million in full.

In addition, during the Track Record Period and as of the Latest Practicable Date, a total of 14 tax penalties were imposed by PRC tax authorities with total amount of fines of approximately RMB68,100, mainly for (1) undue declaration of our enterprise income tax; (2) insufficient payment of urban maintenance and construction duty, stamp duty and other taxes; and (3) insufficient payment of personal income tax. As of the Latest Practicable Date, we had paid the fines of all the abovementioned tax penalties in full.

We are of the view that such fines and penalties will not affect our good standing (including our branches and sub-branches and subsidiaries) and will neither result in the revocation of any approvals, licenses, permits and filings necessary for the operation of our business, which included but not limited to the revocation of financial business permits or business licenses. Besides, the aforementioned fines for the administrative penalties only accounted for a very small proportion of our latest audited net assets and were fully settled. As of the Latest Practicable Date, the aforementioned government authorities imposing such administrative penalties had not raised further issues and had not required us to take further rectification measures. Therefore, King & Wood Mallesons, our PRC legal advisor, is of the view that the aforementioned fines and penalties do not have any significant adverse effect on our operation and financial condition. We have taken and will continue to take the following essential steps and measures to rectify the issues identified by PRC regulatory authorities, including:

- As to failure of the extension of fixed asset loans in the form of entrusted payment, we have rectified the violation and restated the principle of disbursement on demand. We have adopted strict procedures for approval of loan disbursement and directed the entrusted branches to perform on demand loan granting, so as to prevent the reoccurrence of the aforementioned violation.
- As to the indirect violation of credit concentration of an individual customer through splitting up loans, we have held relevant responsible persons to accountability and required all departments to strictly carry out the identification and management of credits

granted to the (related) group customers as well as loan customer onboarding procedures. We are also required to strengthen daily monitoring and management by, among others, establishing a (related) group credit monitoring ledger.

- As to anti-money laundering issues such as ineffective customer identification and deficient classification of anti-money laundering risks of customers, we have further educated relevant county banks on the knowledge of anti-money laundering, refined internal control systems in accordance with anti-money laundering regulatory requirements and strengthened anti-money training. We have demanded relevant county banks to duly report large-sum transactions, improve the report of suspicious transactions, duly conduct customer identification in strict compliance with the requirement of our Bank and classify the anti-money laundering risks of customers.
- For the collection of financial advisory fees and commissions against the regulations, we have enhanced the regulation of financial advisory fees and commission charge of entrusted loan and issued normative documents. We have also rectified our irregular counter operation and improved business training and compliance examination for service charging, and conducted investigation and imposed strict punishment on irregularities. Our service pricing management has been enhanced in accordance with the latest regulatory requirements. In addition, relevant responsible persons have been penalized due to irregular price charging.

Findings of Regulatory Examinations

Regulatory authorities including CBRC and PBoC conduct routine or *ad hoc* inspections on our compliance with the relevant PRC laws and regulations, guidelines and regulatory requirements. During the Track Record Period and as of the Latest Practicable Date, inspections of our Head Office, branches and sub-branches and subsidiaries conducted by regulatory authorities such as CBRC and PBoC involved risk management, internal control, corporate governance, anti-money laundering and operations of various business lines. Although the abovementioned inspections did not identify any substantial risk or incidents of material non-compliance, findings of the inspections revealed certain deficiencies in our business operations, risk management, internal control and other areas. We have promptly adopted rectification measures in accordance with the inspection findings and recommendations from the relevant regulatory authorities and improved our risk management and internal control. Major findings of inspections and examinations are summarized as follows.

CBRC

CBRC Guangdong Office and other relevant local offices of CBRC conduct regular and *ad hoc* inspections on our operations condition, including on-site inspections of our Head Office, branches and sub-branches and subsidiaries. Based on such inspections, the relevant local offices of CBRC issued inspection opinions, specifying the findings and suggestions. Major issues and guidance opinions raised by the relevant local offices of CBRC in their reports and major rectification measures taken by us during the Track Record Period and as of the Latest Practicable Date are set out as follows:

Major issues and guidance opinions	Our major rectification measures
Credit business	
● Inadequate and incomplete credit risk classification system	● Amending the credit risk classification and management system
● Flaws in credit risk management and credit extension, inefficient post-disbursement	● Strengthening the management on credit extension process, enhancing the inspection and

Major issues and guidance opinions	Our major rectification measures
management, inefficient management of and accountability for non-performing assets, fraudulent transfer of non- performing assets, inefficient due diligence, ineffective due diligence of borrower's relationship to us, failure to verify the authenticity of transaction background and non-compliance with repayment methods for mid and long term loans	supervision of the credit risk classification so as to improve the credibility of the quality of credit assets ● Strengthening the establishment of credit business system and reinforcing the study of relevant regulatory requirements; strictly implementing unified customer credit management and maintaining accuracy of the implementation of the system; suspending the business with customers who were found to have unsatisfactory due diligence results or with abnormal transaction background
● failure to perform on demand loan granting (實貸實付) according to the regulatory requirements, and the non-compliance with contracted use of loans	● Enhancing and refining management of credit business, gradually improving systems in respect of the enforcement of new regulations so as to strictly control and supervise the provision of loans to selected targets ● Enhancing the transfer of credit assets and the management of non-performing loans ● Enhancing internal inspection and modification and to conduct specific inspection on the compliance of our loan business; adopting rectification measures for the existing problems and implementing accountability system
Information technology management	
● To enhance the information technology management, risk management, information security, development, testing and maintenance of information system, business consistency management and outsourcing management for information technology ● Insufficient disaster recovery coverage for key systems	● Amending the related protocols of the Board and enhancing the duties and roles of the Board in information technology risk management ● Enhancing the establishment of the information technology management system and rectifying the existing information technology; strengthening the supervision and enforcement so as to standardize the operational procedures ● Conducting pertinent emergency drill and evaluating the contingency plans with a view to improving the contingency plans as well as the related coordination systems ● Strengthening the safety and control measures for e-channels and enhancing risk management capabilities ● Providing more training on information security ● Keeping track of the development of e-banking system application and further developing our disaster recovery center ● Conducting regular on-site safety inspections on the providers of development and outsourcing services to effectively prevent compliance risks of our contractual business ● Amending the related protocols of the Board to include the contractual risk management of information technology ● Conducting safety inspections on infrastructures relating to the information systems

Major issues and guidance opinions	Our major rectification measures
	● Gradually shifting to use domestically produced information systems for substantial information ● Conducting pertinent emergency drill for infrastructure assurance
● To improve insufficient areas including capital management, asset quality, management quality, profitability and liquidity risk management	● As for capital management, continuously improving the capital replenishment system and operational mechanism to enhance the role of capital to guide and regulate business development in order to further improve our development capacity ● As for asset quality control, enhancing measures such as risk inspection and credit management level to prevent the increase of non-performing loans; improving the ability to identify group customer to avoid any risk events of customers associated with large amount of credits ● As for management quality, conducting further measures such as improvement of internal governance and check and balance systems as well as the "Three Committees and One Board" balancing system; formulating clear overall development strategies; establishing an effective performance evaluation system; improving data management and optimizing internal control measures ● As for profitability, increasing the return on capital ratio and the effectiveness of financial management through enhancing assets and liabilities management, product innovation and business transformation ● As for liquidity, enhancing management on system development, risk management, treasury management, instrument development, stress tests, contingency plan and others areas ● Accelerating the development of market risk management system, expanding the specialized market risk management team and setting up work mechanisms for market risk management and stress tests ● As for information technology management, conducting measures such as continuous improvement and optimization of information technology risk management organizational structure
● To enhance corporate governance and internal control	● Establishing deferral payment system for performance-based compensation ● Amending certain contents in the Articles of Association which are inconsistent with the regulatory requirements ● Disclosing complete remuneration information in annual reports ● Optimizing comprehensive risk management system

Major issues and guidance opinions	**Our major rectification measures**
	● Improving support for internal audit, further strengthening audit management so as to improve efficiency and to expand the internal audit team ● Duly implementing rectification measures, facilitating the comprehensive risk management as well as the establishment of risk management in all segments so as to improve the comprehensive risk management system

As of the Latest Practicable Date, we had completed relevant rectification measures within the timeframe as required by local offices of CBRC and the relevant local offices of CBRC had not issued additional opinions on our rectification measures adopted in accordance with the regulatory opinions, and we had not received any request for additional rectification measures or notice of penalty. Based on the above findings from the inspections of relevant local offices of CBRC, we believe that there are no significant deficiencies in our business operations, internal audit, internal control or risk management, and such findings do not have any material adverse effect on our business, financial condition or results of operations.

PBoC

Relevant local branches of PBoC conduct regular and *ad hoc* inspections on us, including on-site inspections of our Head Office, branches and sub-branches and subsidiaries. Based on such inspections, the relevant local branches of PBoC issues inspection reports specifying their inspection findings and suggestions.

During the Track Record Period and as of the Latest Practicable Date, the relevant local branches of PBoC conducted various inspections on us. The key issues and major guidance opinions issued based on the inspections and our major rectification measures are summarized as follows:

Major issues and guidance opinions	**Our major rectification measures**
Business management	
● Incomplete customer personal information for certain personal RMB denominated deposit accounts, which in turn increased the difficulty of account verification ● Management of credit checking needed improvement as certain customer information was incomplete, and certain powers of attorney were inconsistent with the Bank's system record	● Enhancing the supervision over identity verification for personal accounts ● Regulating the format and usage of the documents of our credit checking, as well as the authorization management of search, submission and usage of credit information
Interbank business	
● Corresponding regulatory framework was not amended in a timely manner and the management system of interbank settlement accounts needed improvements ● Highlighted problems in account opening for investment and financing and non-local interbank settlement ● Incomplete information for interbank settlement accounts, excessive interbank funds extended to a	● Enhancing the management of interbank transactions and related operational procedures; conducting thorough review of the regulations of interbank transactions with a view to implementing necessary modification; enhancing the inspection and supervision of the enforcement of the regulations ● Enhancing the management of interbank reverse repurchase and interbank investment business

Major issues and guidance opinions	Our major rectification measures
single institution, insufficient provision for certain interbank business risk and interbank investment business guaranteed by third party financial institutions	• Assessing risk and provision in a practical manner; supplementing the regulations of assessing risk and provision; assessing risks and making provisions based on reasonable estimate • Adopting rectification measures for the existing problems and implementing accountability system

We completed the rectification measures within the timeframe as required by the relevant local branches of PBoC. As of the Latest Practicable Date, the relevant local branches of PBoC had not issued further opinions on our rectification measures, and we had not received any request for additional rectification measures or notice of penalty. Based on the above findings from the inspections of the relevant local branches of PBoC, we believe that there are no significant deficiencies in our business operation, internal audit or risk management, and such findings do not have any material adverse effect on our business, financial position or results of operations.

NAO

NAO and its relevant local offices conduct regular and *ad hoc* inspections on our operational condition, including on-site inspections of our Head Office, branches, sub-branches and subsidiaries. Based on such inspections, relevant local offices of NAO issue inspection reports specifying their findings and suggestions. The following table sets forth the major issues identified by the relevant local offices of NAO and our major rectification measures during the Track Record Period and as of the Latest Practicable Date:

Major issues and guidance opinions	Our major rectification measures
Non-compliance of credit business	• Adjusting the credit policy and enhancing the supervision of our housing loan business; conducting extensive inspection on the housing loans that did not meet the national requirements; holding the persons in charge accountable in the event of non-compliance of differentiated housing loan policy
Management of collateralized assets in violation of relevant requirements	• Enhancing the value management and disposal of collateralized assets; proposing the disposal by classification of collateralized assets
Problems related to assets and liabilities and profit or loss	• Streamlining and revising the systems of our factoring business, and operational property mortgage loan business and drafting relevant operational procedures; requiring relevant entities to strictly comply with the relevant requirements when carrying out credit business and further strengthening refined management of our credit business
Corporate governance and internal control	• Streamlining and adjusting the credit policy

As of the Latest Practicable Date, the relevant local offices of NAO did not have further opinions on our rectification measures based on the previous supervisory opinions, and we did not receive any notice requiring us to take further actions or receive penalties. We are of the view that, in accordance with the above inspection performed by the local offices of NAO, there are no significant deficiencies in our business operations, internal audit, internal control or risk management. The above inspection results did not have any material adverse effect on our business, financial position or results of operations.

Compliance with Core Indicators

We are required to comply with multiple ratios as required by the Core Indicators (Provisional) (《核心指標(試行)》) promulgated by CBRC. For details concerning our compliance with the Core Indicators (Provisional) during the Track Record Period, see "Supervision and Regulation—Other Operational and Risk Management Ratios." During the Track Record Period, we were not subject to any penalties as a result of non-compliance with any core indicators.

Employee Non-compliance

We investigate into non-compliance incidents involving our employees, customers and other third parties from time to time. Such non-compliance incidents include, but not limited to, indiscreet pre-disbursement review by our employees, concealment of material information by our customers and non-compliance incidents resulting from the operating risks associated with our employees and third parties. We have further improved and enhanced the related internal control and risk management measures upon identification of the non-compliance incidents. None of our Directors and senior management was involved in any of these non-compliance incidents. We believe that these non-compliance incidents, separately or collectively, do not have any material adverse effect on our business, financial position or results of operations. During the Track Record Period and as of the Latest Practicable Date, we were not aware of any material non-compliance involving criminal offense of any of our employees which may have material adverse effects on our business, financial position and results of operations.

Our Directors are of the view that the relevant findings and the aforementioned non-compliance identified by the regulatory authorities did not indicate that there were any significant deficiencies in our business operations, internal audit, internal control or risk management.

Anti-Money Laundering

We strictly implement anti-money laundering processes and measures and our efforts have been highly recognized by regulatory authorities. In the assessment organized by PBoC Guangzhou Branch in 2015, we were awarded as "No.1 of Anti-money Laundering Assessment of Financial Institutions in Guangdong Province," among the 139 participating financial institutions in Guangzhou. No material money laundering incidents had been identified or reported to the senior management during the Track Record Period and as of the Latest Practicable Date. For details of our anti-money laundering measures, see "Risk Management—Anti-Money Laundering."

OVERVIEW

The primary risks arising from our operations are credit risk, market risk, liquidity risk and operational risk. We are also exposed to other risks, such as information technology risk, reputational risk and legal and compliance risk. We have established a comprehensive risk management system in response to these identified risks.

RISK MANAGEMENT OBJECTIVES AND PRINCIPLES

Our risk management objectives are set out below:

- to develop a risk management culture and raise the risk management awareness of all employees;
- to establish a comprehensive risk management system and ensure the system is working properly;
- to optimize the risk management information technology system; and
- to strengthen professionalism and expand expertise of the risk management team.

Our risk management adheres to the principles of comprehensiveness, effectiveness and independence.

- Comprehensiveness: risk management shall integrate ex-ante, ongoing and ex-post controls; penetrate into all business processes and operations and involve all departments and positions, to prevent any potential omission or loopholes in risk management;
- Effectiveness: clear division of responsibilities between different departments and positions with effective checks and balances. Business operations and risk control shall be appropriately segmented. Our risk management system is given high authority and problems identified shall be promptly addressed and rectified; and
- Independence: the department responsible for risk management supervision and assessment should be independent from our other departments and have direct reporting lines to the Board of Directors, the Board of Supervisors and senior management.

RECENT RISK MANAGEMENT ACTIONS

We have adopted a series of actions to constantly improve our risk management and fulfill our risk management objectives over recent years, including the following:

- **raising the risk awareness of all employees through developing a risk management culture that encompasses "making steady progress while proactively keeping the risks within controllable level."** We carried out the "Sunshine Credit Project" and a series of events to raise the awareness of legal compliance of the employees. Furthermore, the business procedures were adjusted by adhering to the principle of prioritizing and focusing on risk management. The concept of risk management will be integrated into the whole process of banking business and the self-awareness and behaviors of all the employees, with an aim to form a unified risk management philosophy and standard of values for all our employees;
- **consolidating the comprehensive risk management structure and improve the refined risk management procedures and mechanisms.** We adjusted our corporate structure in 2017 and further optimized risk management structure to strengthen the coordination and

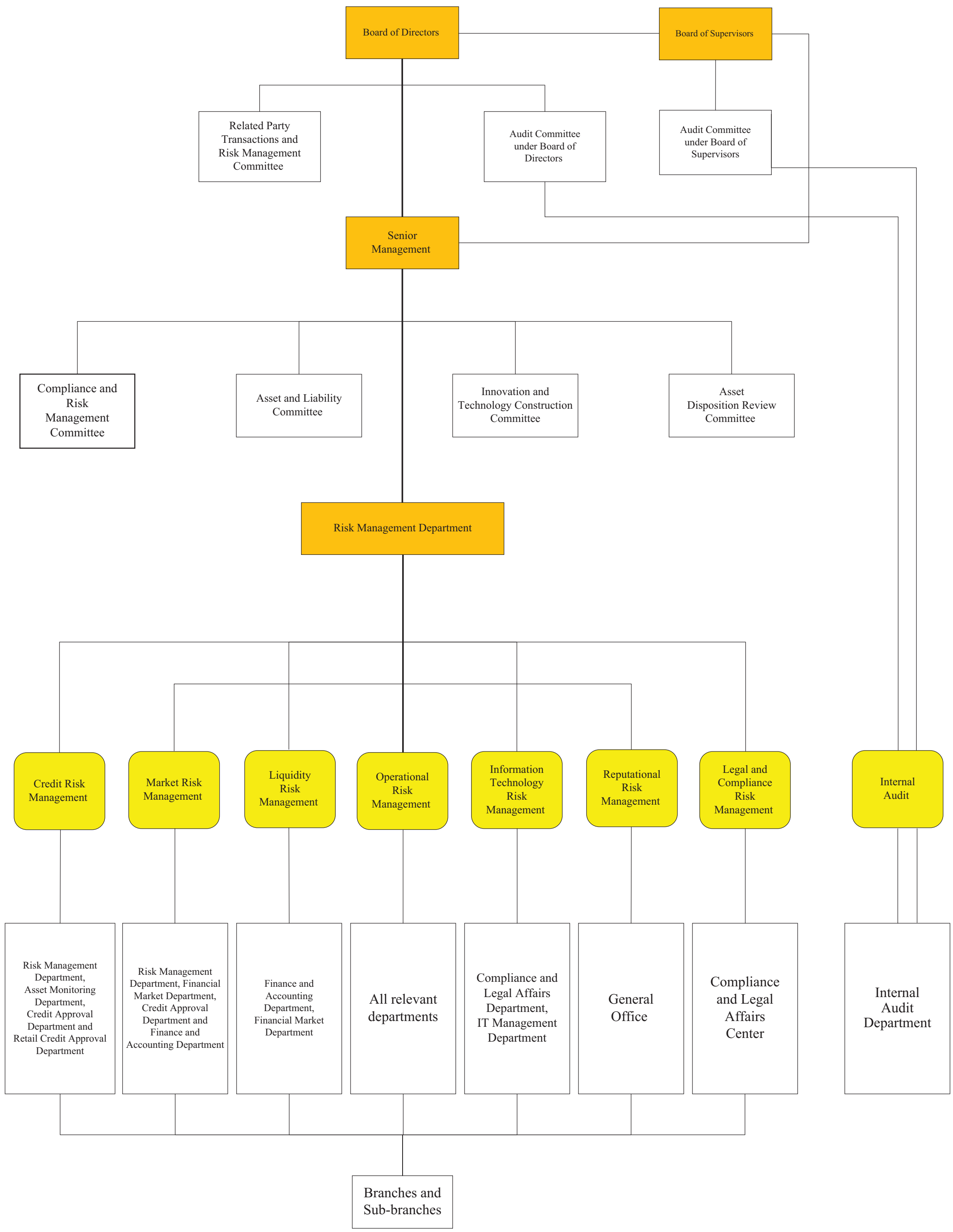
management functions of the Head Office in respect of overall risk management. In particular, we adopted differentiated management for different risks, clearly formulated risk management strategies, and continuously improved our counter-cyclical risk management measures. In addition, the implementation of the new Basel Capital Accord was further promoted to enhance the refined management. We established the risk preference management practices and indicators system covering various aspects such as revenue, capital and major risks;

- **enhancing technology and improve risk management methodologies.** We have formulated a strategic plan for big data-based risk control platform development. Starting from the application of big-data in risk control and in precision marketing and focusing on internal data management and external data management, we strategically plan for the development of all business systems under each principle business line, and improve our risk management by gathering, analyzing, screening, mining and cleansing internal and external data; and

- **building a professional risk management team**. We improve the management of credit approvers, push ahead with quantitative performance assessment, assure a high standard of expertise in examination and approval, coordinate risk management training programs, form a regular training mechanism, and strengthen performance assessment of risk management staff at key posts.

RISK MANAGEMENT FRAMEWORK

As of the date of this prospectus, our organizational structure of risk management is as follows:



We have developed the "three lines of defense" for risk management under the leadership of our Board and senior management, which consist of the business units, risk management department and internal control and audit department. The Risk Management Department is responsible for the centralized and comprehensive coordination and management of the bank-wide risk exposures and the appointment of risk officers for the subsidiaries.

Board of Directors and its Specialized Committees

Our Board of Directors has the highest authority in risk management and decision-making and bears the ultimate responsibility for comprehensive risk management. It ensures that we can effectively identify, assess, monitor and control the risks to which our businesses are exposed. It also reviews and approves strategies, policies and procedures of risk management. Furthermore, it determines our risk appetite and tolerance, as well as risk management and internal control policies. Under the supervision and monitoring of the Board of Directors, senior management is responsible for taking appropriate risk management measures to identify, assess, monitor and control various risks. The Board of Directors receives reports on the nature and level of risks periodically, and monitors and evaluates the comprehensiveness and effectiveness of risk management and senior management's performance in risk management. The Board of Directors performs its risk management functions through the Related Party Transactions and Risk Management Committee and the Audit Committee under the Board of Directors.

Related Party Transactions and Risk Management Committee

The Related Party Transactions and Risk Management Committee is primarily responsible for the examination, supervision and review of related party transactions that we enter into, as well as for risk control, management, supervision and evaluation.

With respect to related party transactions, the Related Party Transactions and Risk Management Committee is primarily responsible for the management and control of related party transactions; formulating rules and the management framework relating to our related party transactions; identifying and reporting related parties to the Board of Directors and the Board of Supervisors, and informing the staff of confirmed related parties in a timely manner; and reviewing and reporting significant related party transactions to the Board of Directors for approval, and filing a report with the Board of Supervisors and the banking regulatory authorities within ten days following the approval by the Board of Directors.

With respect to bank-wide risk management, the Related Party Transactions and Risk Management Committee's primary responsibilities are to control, manage, monitor and measure all risks that we are exposed to, to consider and report our risk control principles, objectives and policies to the Board of Directors for review and approval, to determine our risk management measures and discuss risk management related matters, to check and monitor senior management's performance in managing all sorts of risks, and to determine and adjust our risk exposure limits within the authorization by the Board of Directors.

The Related Party Transactions and Risk Management Committee currently consists of (i) one executive Director, Mr. WU Huiqiang; (ii) four non-executive Directors, Mr. SHAO Jianming, Mr. LI Fangjin, Mr. ZHU Kelin and Mr. LIU Guojie; and (iii) two independent non-executive Directors, Mr. SONG Guanghui and Mr. LIU Heng, all of whom have management, finance or economics related background, see "Directors, Supervisors and Senior Management—Directors" for details of the work experience of the committee members. Mr. SONG is the chairman of the committee.

Audit Committee under the Board of Directors

The Audit Committee under the Board of Directors is primarily responsible for reviewing our accounting policies, basic auditing rules, financial reporting procedures and financial positions, as well as conducting the annual audit. It also proposes the engagement or replacement of external auditors, monitors and comments on auditors' annual audit plans, determines the scope of auditing and important auditing rules, coordinates communications between the Internal Audit Department and external auditors, and prepares and submits a report on audited financial statements to the Board of Directors for review.

The Audit Committee under the Board of Directors currently consists of two non-executive Directors, Mr. LI Fangjin and Mr. ZHU Kelin, and three independent non-executive Directors, Mr. LIU Heng, Mr. ZHENG Jianbiao, and Mr. Yung Hin Man Raymond, all of whom have finance or economics related background, see "Directors, Supervisors and Senior Management—Directors" for details of the work experience of the committee members. Mr. ZHENG is the chairman of the committee.

For details of the functions and duties of our Board of Directors as well as the responsibilities and composition of the Audit Committee under the Board of Directors and the Related Party Transactions and Risk Management Committee, see "Directors, Supervisors and Senior Management—Committees under the Board of Directors" and Appendix V—"Summary of Articles of Association."

Board of Supervisors and its Specialized Committees

Our Board of Supervisors oversees internal due diligence, financial performance and internal control; monitors our Board of Directors and senior management in their performance of risk management duties; and checks and investigates any non-compliance with the existing risk management policies and rules in daily operations. The Audit Committee under the Board of Supervisors monitors our Board of Directors and senior management and reviews and appraises bank-wide risk management effectiveness.

The Audit Committee under the Board of Supervisors consists of (i) two external Supervisors, Mr. SHAO Baohua and Mr. CHEN Dan; (ii) one employee Supervisor, Mr. XIAO Shilian; and (iii) two shareholder representative Supervisors, Mr. ZHANG Dalin and Mr. HUANG Yong, all of whom have finance or economics related background, see "Directors, Supervisors and Senior Management—Supervisors" for details of the work experience of the committee members. Mr. SHAO is the chairman of the committee. The Audit Committee under the Board of Supervisors operates independently of the Audit Committee under the Board of Directors.

For details of the responsibilities of the Board of Supervisors, see "Directors, Supervisors and Senior Management—Committees under the Board of Supervisors."

Senior Management and its Committees

The senior management at our Head Office is the most senior execution team in our risk management organizational structure, responsible for the implementation of our risk management policies. Its primary responsibilities are to formulate, regularly review and monitor the implementation of our risk management policies, procedures and standard operational procedures. The senior management should be fully informed of the exposure and management status of various risks in a timely manner to ensure the adequate allocation of human and other resources and to also ensure the appropriate organizational structure, management information systems and technologies to effectively identify, assess, monitor and control the risks to which our businesses are exposed. Our senior management also clearly defines the risk management responsibilities for various departments, sets reporting lines and the frequency and contents of risk reports and monitors various departments to effectively perform their risk management functions. Furthermore, our senior management is responsible for examining and revising our comprehensive risk management system to ensure its sound operation.

Our President leads our senior management on risk management and directly reports to our Board of Directors. Other senior executives assist our President to perform his duties. The President is responsible for executing our strategies, plans and policies of risk management determined by our Board of Directors, and coordinating our comprehensive risk management. Our Chief Risk Officer reports to both our Board of Directors and senior management in respect of our comprehensive risk management. He is responsible to implement the strategies and the operation and management decisions regarding risk management of our Board of Directors. He is also responsible for the review of our risk management policies, systems and procedures in order to facilitate the establishment of our risk management mechanism.

We have established the Compliance and Risk Management Committee, the Asset and Liability Committee, the Innovation and Technology Construction Committee and the Asset Disposition Review Committee under the senior management. Each committee generally consists of the President, vice presidents responsible for respective functions and heads of respective departments, and is responsible for organizing, coordinating and examining our risk management matters.

Compliance and Risk Management Committee

The Compliance and Risk Management Committee is primarily responsible for reviewing our major compliance and risk management matters, including compliance and risk management policies and credit policies and reporting to the senior management. The Compliance and Risk Management Committee consists of its Mr. PENG Zhijun, Ms. SUN Xiaoqin (孫曉琴), and Ms. WANG Jin'e (王金娥), Mr. LAI Jiaxiong (賴嘉雄), Mr. QIU Xuezhong (邱雪中), Mr. PENG Yue (彭躍), Mr. WANG Minjie (汪旻傑), Mr. GONG Jiong (龔炯), and Ms. GAO Jing (高靜). Mr. Peng Zhijun is the chairman of the committee. Ms. Sun is the vice-chair of the committee. The background of the members of the committee is as follows:

- *Mr. PENG Zhijun.* See "Directors, Supervisors and Senior Management—Senior Management" for details of Mr. Peng's position, responsibilities and work experience;
- *Ms. SUN Xiaoqin.* Ms. Sun is a professor in economics and has approximately three years of experience in finance industry. She joined the Bank in August 2014 as the general manager of the Strategy Development Department and has been the Dean of Zhujiang

Business School since February 2015. Ms. Sun obtained a doctorate degree from Sun Yat-sen University;

- *Ms. WANG Jin'e*. Ms. Wang is an intermediate economist and has over 20 years of experience in banking industry. She joined the Bank in April 2008 and held various senior managerial positions in investment banking and Financial Market Department. Ms. Wang has been the general manager of the Risk Management Department (former Compliance and Risk Management Department) since February 2015. She obtained a bachelor degree from Shenzhen University in 2004 and a part time master degree from South China University of Technology in 2014;

- *Mr. LAI Jiaxiong.* Mr. Lai is an intermediate economist and has over 18 years of experience in banking industry. He joined the Bank in September 1998 and held various managerial positions on credit review and approval. Mr. Lai has been the general manager of the Compliance and Legal Affairs Department since March 2017. He obtained a bachelor degree in law from Guangdong University of Finance & Economics in 1998 and a master degree from Jinan University in 2003;

- *Mr. QIU Xuezhong.* Mr. Qiu is an intermediate accountant and a Certified Internal Auditor, and has over 24 years of audit experience in banking industry. He joined the Bank in March 2012 and served as the deputy general manager of the Internal Audit Department and has been the general manager of the Internal Audit Department since February 2016. He obtained a bachelor degree from Jiangxi College of Finance and Economics in 1992;

- *Mr. PENG Yue.* Mr. Peng is an intermediate economist and has more than 28 years of experience in banking industry. He joined the Bank in January 2007 and held various positions, including deputy general manager of the compliance and risk department. Mr. Peng has been the deputy general manager and the Chief risk officer of Zhujiang Financial Leasing Co., Ltd. since March 2017. He obtained a part time bachelor degree from Party School of CPC of Henan province in 1993, and obtained a master degree from Henan University in 2003;

- *Mr. WANG Minjie*. Mr. Wang is a Certified Internal Auditor and has over 21 years of experience in banking industry. He joined the Bank in April 2008 and held various positions in the Financial Market Business Department, the Risk Management Department, and the Credit Approval Department. Mr. Wang has been the deputy general manager of the Credit Approval Department (former Corporate and Interbank Risk Management Department) since February 2016. He obtained a bachelor degree and a master degree from Shanghai Jiao Tong University in 1992 and 1995, respectively;

- *Mr. GONG Jiong.* Mr. Gong has more than 14 years of experience in banking industry. He joined the Bank in May 2006 and held various positions, including assistant to general manager of the General Office of the Board of Directors. He has been the deputy general manager of Human Resources Department (Party Committee Organization Department) since February 2016. Mr. Gong obtained a master degree from Zhongnan University of Economics and Law in 2002; and

- *Ms. GAO Jing.* Ms. Gao has approximately four years of experience in banking industry. Ms. Gao joined the Bank in May 2013 and held various positions, including the deputy general manager of the legal business department. She has been the senior manager of the

Non-performing Assets Disposal Special Action Office since March 2017. Ms. Gao obtained a master degree in law from Sun Yat-sen University in 2007.

Asset and Liability Committee

Subject to the principles determined by the Related Party Transactions and Risk Management Committee under the Board of Directors, the Assets and Liabilities Committee is primarily responsible for: (i) reviewing and evaluating our strategies, policies and procedures with respect to the management of our assets and liabilities; (ii) deliberating our assets and liabilities decisions and plans; (iii) taking charge of capital management, pricing management, liquidity management and bank account interest rate risk management; (iv) reviewing and evaluating the methodologies, models, solutions and management reports of liquidity risk management and bank account interest rate risk management; (v) determining liquidity and bank account interest rate risk exposure limits; (vi) regularly assessing liquidity and bank account interest rate risk level and management status; (vii) reviewing bank-wide pricing policies and executive reports; (viii) reviewing internal capital transfer pricing proposals and (ix) reviewing bank-wide service charge management, among other major matters, and report to senior management.

The Asset and Liability Committee consists of Mr. YI Xuefei, Mr. CHEN Wu, and Ms. CHEN Linjun, Mr. CHEN Qianhong, Ms. YANG Xuan, Ms. HE Heng, Mr. XIAO Shilian, Mr. CAI Huiran (蔡惠然) and Mr. YOU Lixin (游立新). Mr. YI is the chairman of the committee. Mr. Chen Wu is the vice-chair of the committee. The background of the members of the committee is as follows:

- *Mr. YI Xuefei.* See "Directors, Supervisors and Senior Management—Director" for details of Mr. Yi's position, responsibilities and work experience;
- *Mr. CHEN Wu.* See "Directors, Supervisors and Senior Management—Senior Management" for details of Mr. Chen's position, responsibilities and work experience;
- *Ms. CHEN Linjun.* See "Directors, Supervisors and Senior Management—Senior Management" for details of Ms. Chen's position, responsibilities and work experience;
- *Mr. CHEN Qianhong.* See "Directors, Supervisors and Senior Management—Senior Management" for details of Mr. Chen's position, responsibilities and work experience;
- *Ms. YANG Xuan.* See "Directors, Supervisors and Senior Management—Senior Management" for details of Ms. Yang's position, responsibilities and work experience;
- *Ms. HE Heng.* See "Directors, Supervisors and Senior Management—Supervisor" for details of Ms. He's position, responsibilities and work experience;
- *Mr. XIAO Shilian.* See "Directors, Supervisors and Senior Management—Senior Management" for details of Mr. Xiao's position, responsibilities and work experience; and
- *Mr. CAI Huiran.* Mr. Cai is an assistant engineer and has over 21 years of experience in finance industry. He joined the Bank in March 2009 and has been the general manager of our technology and internet banking management department. Mr. Cai obtained a bachelor degree from Jinan University;
- *Mr. YOU Lixin.* Mr. You is an intermediate economist and certified public accountant, and has over 24 years of experience in banking industry. He joined the Bank in September 2015 and served as assistant to general manager of the Compliance and Risk Department

from September 2015 to February 2016. He has been the person-in-charge of the New Basel Capital Accord Implementation Office since February 2016. Mr. You obtained a bachelor degree from Zhongnan University of Economics and Law in 1990 and a postgraduate qualification from University of New South Wales in 2001.

Innovation and Technology Construction Committee

The Innovation and Technology Construction Committee is responsible for reviewing bank-wide information technology management decisions and comprehensive coordination, including (i) reviewing information system construction and development plans, information management standards, information technology project plans and budgets and demonstration of major projects; (ii) reviewing material rules and processes relevant to the responsibilities of the committee; (iii) reviewing coordination and organization plans for important cross-department activities or operations; and (iv) reporting to senior management. The committee is chaired by the Vice President who is in charge of the IT Management Department, Mr. CHEN Jianming, and the heads of the IT Management Department, Ms. CHEN Linjun and Mr. CAI Huiran, serve as the vice-chair. The heads of the IT Management Department, the Retail Credit Approval Department, the Credit Approval Department and the Compliance and Legal Affairs Department serve as other members. The current members of the committee are Ms. YANG Xuan, Ms. SUN Xiaoqin, Ms. HE Heng, Ms. YUAN Jiafang (袁佳芳), Mr. LIN Shumao (林樹茂), Mr. LI Lingjiang (李淩江), Ms. LI Hong (李紅) and Mr. ZHAN Yinghao (湛穎豪). The background information of the members of the committee is as follows:

- *Mr. CHEN Jianming.* See "Directors, Supervisors and Senior Management—Senior Management" for details of Mr. Chen's position, responsibilities and work experience;
- *Ms. CHEN Linjun.* See "Directors, Supervisors and Senior Management—Senior Management" for details of Ms. Chen's position, responsibilities and work experience;
- *Mr. CAI Huiran.* See "Risk Management—Risk Management Framework—Board of Directors and its Specialized Committees—Asset and Liability Committee" for details of Mr. Cai's position, responsibilities and work experience;
- *Ms. YANG Xuan.* See "Directors, Supervisors and Senior Management—Senior Management" for details of Mr. Yang's position, responsibilities and work experience;
- *Ms. SUN Xiaoqin*. See "Risk Management—Risk Management Framework—Board of Directors and its Specialized Committees—Compliance and Risk Management Committee" for details of Ms. Sun's position, responsibilities and work experience;
- *Ms. HE Heng.* See "Directors, Supervisors and Senior Management—Supervisors" for details of Ms. He's position, responsibilities and work experience;
- *Ms. YUAN Jiafang.* Ms. Yuan has over 24 years of financial working experience. Ms. Yuan joined the Bank in May 2015 and served as vice president of the Retail Financial Management Department. She has been the executive president of the Retail Business Department since February 2016. Ms. Yuan obtained a bachelor degree in accounting from Zhongnan University of Economics and Law in December 2004;
- *Mr. LIN Shumao.* Mr. Lin is an intermediate engineer (senior programmer) and has 21 years of working experience in the banking industry. He joined the Bank in May 2006 and served as the deputy general manager of the IT Management Department (former

Information Technology Operation and Maintenance Department) of the Bank since June 2016. Mr. Lin obtained a bachelor degree in mathematics from Sun Yat-sen University in 1993 and a master degree in business administration from South China University of Technology in 2006;

- *Mr. LI Lingjiang.* Mr. Li is an intermediate engineer (senior programmer) and has over 18 years of working experience in the banking industry. He joined the Bank in March 2015 and served as general manager of the development center from March 2015 to February 2016 and deputy general manager of the IT Management Department (former Information Technology Research and Development Department) (responsible for overall operation) and person-in-charge of the databank project team since February 2016. Mr. Li obtained a bachelor degree in electronic materials and components from Huazhong University of Science and Technology in June 1998 and a master degree in software engineering from Huazhong University of Science and Technology in June 2014;
- *Ms. LI Hong.* Ms. Li has 18 years of experience in banking business operation. She joined the Bank in April 1998 and served as the deputy general manager of the Compliance and Legal Affairs Department and person in charge of the New Basel Capital Accord Implementation Office since February 2016. Ms. Li obtained a master degree in automatic control from Gansu University of Technology (currently known as Lanzhou University of Technology) in 1993; and
- *Mr. ZHAN Yinghao*. Mr. Zhan is an assistant economist and has 20 years of experience in banking. He joined the Bank since March 2010 and has been the senior manager of the General Retail Business Department since February 2016. Mr. Zhan graduated from Guangzhou Open University in July 2003 on a part-time basis.

Asset Disposition Review Committee

The Asset Disposition Review Committee reviews bank-wide non-performing credit assets, foreclosed assets and self-owned idle assets disposal matters, including waiver of principal or interest of non-performing assets in part or in full, transfer of non-performing assets, waiver of liabilities under guarantee, disposal of physical assets, takeover of foreclosed assets, write-off of bad debts and non-performing assets recovery representation projects without open bids. The committee is generally chaired by a member of our senior management responsible for our Yangcheng Sub-branch (the sub-branch responsible for the recovery of non-performing corporate loans) or a member of our senior management responsible for, or assisting, the management of our Risk Management Department. The current chairman of the committee is Mr. ZHANG Dong. The current vice-chairs of the committee are Mr. CHEN Wu and Mr. PENG Zhijun. Other members of the committee are generally selected among the heads or specialists (with senior management or more senior titles) of our Risk Management Department, Asset Monitoring Department, Compliance and Legal Affairs Department, Internal Audit Department, Finance and Accounting Department and Yangcheng Sub-branch. The current members of the committee are Ms. WANG Jin'e, Mr. XIAO Shilian, Mr. QIU Xuezhong, Mr. ZHOU Boqiu (周博球) and Ms. LIU Danni (劉丹妮). The background information of the members of the committee is as follows:

- *Mr. ZHANG Dong.* See "Directors, Supervisors and Senior Management—Senior Management" for details of Mr. Zhang's position, responsibilities and work experience;
- *Mr. CHEN Wu.* See "Directors, Supervisors and Senior Management—Senior Management" for details of Mr. Chen's position, responsibilities and work experience;

- *Mr. PENG Zhijun.* See "Directors, Supervisors and Senior Management—Senior Management" for details of Mr. Peng's position, responsibilities and work experience;
- *Ms. WANG Jin'e.* See "Risk Management—Risk Management Framework—Board of Directors and its Specialized Committees—Compliance and Risk Management Committee" for details of Ms. Wang's position, responsibilities and work experience;
- *Mr. XIAO Shilian.* See "Directors, Supervisors and Senior Management—Supervisors" for details of Mr. Xiao's position, responsibilities and work experience;
- *Mr. QIU Xuezhong.* See "Risk Management—Risk Management Framework—Board of Directors and its Specialized Committees—Compliance and Risk Management Committee" for details of Mr. Qiu's position, responsibilities and work experience;
- *Mr. ZHOU Boqiu.* Mr. Zhou is an assistant accountant and has over 28 years of working experience in banking industry. He joined the Bank in November 1988 and has been the vice president of the Yangcheng Sub-branch since October 2014. Mr. Zhou obtained a doctorate degree in economics from GuangDong Academy of Social Sciences in July 2001; and
- *Ms. LIU Danni.* Ms. Liu is an intermediate economist and has over 16 years of working experience in banking industry. She joined the Bank in July 2000 and has been the deputy general manager of the asset monitoring center since February 2015. Ms. Liu obtained a dual degree in international finance and economic law from Jinan University in June 2000.

Risk Management Departments at Our Head Office

Our Head Office oversees bank-wide risk management activities and supervises risk management at our branches and sub-branches. Various departments are responsible for their respective risk management functions: Risk Management Department, Asset Monitoring Department, Compliance and Legal Affairs Department, Credit Approval Department, Retail Credit Approval Department, Finance and Accounting Department, Financial Market Department, IT Management Department, General Office, Anti-money Laundering Center and Internal Audit Department. These departments have the following key duties and responsibilities:

- *Risk Management Department:* It takes lead in bank-wide risk management. It drafts risk management policies and risk control plans, researches and develops metrics, testing tools, measurement models and risk control processes. It is also one of the departments in charge of credit risk management, responsible for developing our basic credit policies and core credit management, and planning for and maintaining our credit management, collateral management and credit report systems and one of the key function departments for market risk management.
- *Asset Monitoring Department*: It is responsible for bank-wide credit asset quality monitoring, post-disbursement monitoring and for formulating and polishing non-performing asset management rules, and is one of the departments in charge of credit risk management.
- *Compliance and Legal Affairs Department*: It takes lead in managing operational risk, information technology risk and legal and compliance risk.
- *Credit Approval Department*: One of the key function departments for credit risk management and market risk management.

- *Retail Credit Approval Department*: One of the key function departments for credit risk management.
- *Finance and Accounting Department*: It is responsible for assets and liabilities management, monitoring all financial indicators, liquidity risk management and monitoring regulatory indicators for capital position, and is one of the key function departments for market risk management.
- *Financial Market Department*: One of the key function departments for market risk management.
- *IT Management Department*: It is responsible for the implementation of management measures of information technology risk.
- *General Office*: It is responsible for the management of reputational risk.
- *Anti-money Laundering Center*: It manages and oversees anti-money laundering matters.
- *Internal Audit Department*: It monitors and audits the performance of overall risk management by all business lines and functions.

Risk Management Framework of Branches and Sub-Branches and Subsidiaries of Our Bank

We adopt a centralized risk management system in the Head Office and all branches and sub-branches of Our Bank. We have established independent risk management departments at branches and sub-branches of Our Bank, responsible for implementing risk management policies formulated by the Head Office. They are also responsible for controlling, mitigating and altering of credit risk, operational and other risks of our various business and reporting major risk events to the branch management and relevant functional departments at the Head Office responsible for managing risk in the respective areas.

Our Head Office exercises prudence in authorization management of branches and sub-branches of Our Bank and maintains vertical risk reporting lines at all of branches and sub-branches of Our Bank. Branches and sub-branches of Our Bank carry out risk management policies formulated by the Head Office. The Head Office has developed credit authorization and policies, credit review and approval procedures, which branches and sub-branches of Our Bank are required to follow. We update these policies and procedures from time to time. The Head Office provides annual guidance on loan portfolios to branches and sub-branches of Our Bank based on their local economic conditions, business scale and target customer profiles.

Our Head Office has adopted dual management for our county banks. We have established risk management departments under the county banks, responsible for the daily risk management of the county banks. We have established the Investment and Institutional Management Department in the Head Office to manage risk and oversee auditing work of the county banks. The Investment and Institutional Management Department has assigned directors of risk management to the county banks for management and appraisal. The assigned directors of risk management are responsible for identifying, evaluating and controlling risks, exchanging experiences and collecting feedbacks for the county banks.

Our Head Office has adopted dual management for Zhujiang Financial Leasing Co., Ltd.. We have established risk management departments under Zhujiang Financial Leasing Co., Ltd., responsible for daily risk management. We have assigned a director of risk management to Zhujiang Financial Leasing Co., Ltd., responsible for identifying, evaluating and controlling risks, exchanging experiences and collecting feedbacks for Zhujiang Financial Leasing Co., Ltd..

CREDIT RISK MANAGEMENT

Credit risk refers to the risk of loss from the failure by an obligator or counterparty to meet its obligations in accordance with agreed upon terms. We are exposed to credit risk primarily through our loan portfolio, investment portfolio, guarantees and other on- and off-balance sheet credit risk exposures.

We have built a credit risk management infrastructure to cover our entire credit business processes, with established policies and procedures to identify, assess, measure, monitor, mitigate and control credit risks. We have established a bank-wide standardized authorization and credit extension management system. We seek to improve our overall credit risk management capabilities through a variety of methods, including establishing a sound internal customer rating system, upgrading our credit management system, and further tightening our credit review and monitoring.

The Risk Management Department and Asset Monitoring Department take lead in bank-wide systematic credit risk management. It formulates credit risk policies and regulations in respect of business orientation, credit entry and exit standards, origination, due diligence, credit review and approval, loan extension and drawdown of credit lines, and post-disbursement management. It also assures effective implementation of risk management processes and oversees execution of credit risk policies. Credit review and approval departments assist credit risk management, and take charge of credit risk review and credit entry and exit on a case-by-case basis. All business units and front-end departments are involved in credit risk management in each business line.

We are committed to establishing a credit risk management framework characterized by independence of functions, risk balancing and “three lines of defense”, and adopting bank-wide credit risk identification, measurement, monitoring and management policies and processes, in an effort to maintain balance among risk, capital and return.

Credit Policy

We formulate an annual credit policy limiting exposure to credit extensions by industries and making interest rate pricing strategies. Our credit risk policy requires strict compliance by each of our businesses with the macroeconomic policies, industry policies, market entry policies and relevant PRC regulatory policies. In particular, we are required to comply with all regulatory requirements with respect to credit extension to industries sensitive to macroeconomic and regulatory policies, such as local government financing vehicles, real estate, and industries with high energy consumption, high pollution or overcapacity. We stick to the green credit policy, seek to drive the transformation and upgrade of industries, and provide credit support in line with the government’s policies, in particular, to modern service sectors, new-type urbanization constructions and the Internet, among other emerging industries.

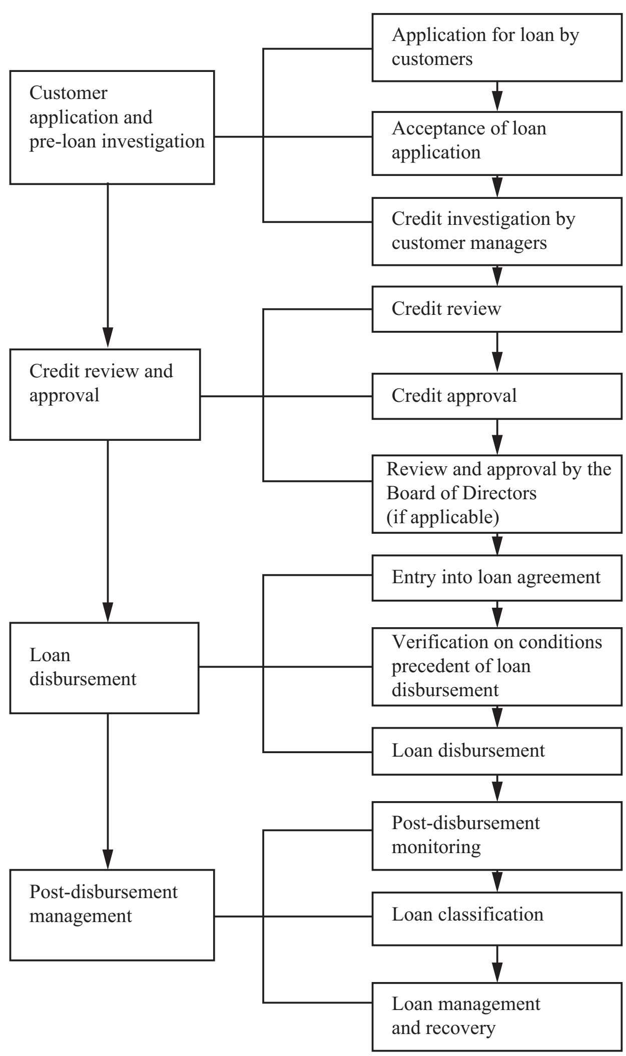
Our credit policy classifies loan applicants’ industries into four categories, encouraged and supported, maintained with prudence, withdrawn and restricted, and specially regulated.

The encouraged and supported category mainly includes 39 industries, such as agriculture, pharmaceutical producing, Internet and related services, software and information technology services, education and others. The maintained with prudence category mainly includes 42 industries, such as coal mining and processing industry, chemical fiber producing, textile, construction and installation industry. The withdrawn and restricted category primarily includes nine industries such as ferrous metal mining, oil processing, coking, nuclear fuel processing, rubber and plastic producing.

The specially regulated category mainly includes real estate, loans to small and micro enterprises and private business owners and agriculture-related loans. We had complied with the above requirements promulgated by regulatory authorities. See "Supervision and Regulation—Regulations on Principal Activities of Commercial Banks."

Credit Risk Management for Corporate Loans

Our risk management procedures for corporate loans include pre-loan investigation, credit review and approval, loan disbursement and post-disbursement management. The following flow chart illustrates the basic process of our corporate credit business:



Customer Applications and Pre-loan Investigation

We commence the pre-loan investigation upon the submission of a corporate loan application by a customer. The applicant is generally required to provide necessary supporting documents, such as the organizational documents and financial statements of the applicant and, where applicable, the guarantors. Upon our receipt of the application, we conduct a pre-loan investigation and review the applicant's credit profile pursuant to our established procedures and criteria. Our customer managers are required to collect customer information, review credit application materials and prepare a credit investigation report. The customer managers of the originating bank are responsible for the pre-loan investigation. In order to control operational risk in the pre-loan investigation process, we have adopted a "two-person investigation" policy and focus on onsite investigation, supported by offsite investigation.

The customer managers are required to prepare a credit due diligence report in a timely and objective manner in the required form, upon the completion of their due diligence investigation. The report should give a truthful description of the due diligence process, the key information verified and the truthfulness of the materials provided, disclose the major risks of the proposed loan, analyze the applicant's loan repayment ability and formulate a proposed plan on loan extension. In principle, loans should be extended to only those customers with the satisfaction of the entry criteria under the credit policy.

We focus on the following factors in conducting credit investigations: (i) the risks associated with the industry in which a borrower operates; (ii) the borrower's financial condition, such as cash flows, revenue, assets and liabilities, and sources of repayments; (iii) competitiveness and growth potential of the borrower; (iv) the intended use of the loan proceeds; (v) the credit history of the borrower; and (vi) credit worthiness of the guarantor and the value of the collateral.

Evaluation of Collateral

For loans secured by collateral, we conduct collateral appraisals prior to loan approval. The value of collateral is jointly determined by our internal appraiser and a third party appraiser. We appraise the value of collateral based on market value, expected returns and replacement cost.

We determine credit approval limits and procedures in conjunction with the collateral-to-value ratio limits. For collateral fulfilling the ratio requirement set out in the below table per customer and per transaction, or in terms of legal position, the granting of loans will be classified as credit business with collateral and will be reviewed and approved in accordance with the criteria for credit business with collateral. Otherwise, loans will be reviewed and approved in accordance with criteria for credit business without collateral. For loans secured by two or more collateral, the loans will be calculated based on corresponding collateral rates. If the total discounted amount is sufficient to cover the credit amount, the granting of loans will be classified as credit business with collateral and will be reviewed and approved in accordance with the criteria of credit business with collateral. Otherwise, loans will be reviewed and approved in accordance with criteria for credit business without collateral. The loan-to-value ratios of main types of collateral securing our loans are within the respective limits as set out below for reference:

Type of Collateral	Maximum Loan-to-Value Ratio
Residence, shops, factories, office buildings	70%
Land use right	60%
Warehouses, detached houses, parking spaces	60%
Construction in progress	50%
Vehicles	50%
Forest right	40%
Bank acceptance bills issued by banks within our credit limit for them	100%
Certificate of time deposit issued by us or county banks established by us	100%

The validity period of the appraisal of collateral is usually one year. Re-appraisal on the collateral is required upon the expiration of the initial appraisal. During the period of mortgage or pledge, collateral is re-appraised at different intervals depending on different types of collateral to determine its value and identify any decline in such value. In respect of guarantees provided by a third-party guarantor, we assess the guarantor's financial condition, credit history and ability to meet its obligations following the same procedures and criteria for assessing loan applications. Our collateral management system regularly notifies our customer managers of updating collateral information and then re-appraises on the value of the collateral based on the pre-set re-appraisal schedule. Upon occurrence of material adverse incidents such as the significant change in the condition of the collateral or material deterioration in the value of the collateral, we will issue a risk alert and update the fair value of the collateral on the then quarterly post-disbursement inspection report before the expiration of the previous appraisal. The material adverse incidents primarily include: (i) significant decrease in the market price of the collateral; (ii) the collateral may be treated as idle land and is at risk of being seized by the government; (iii) material adverse change in the borrower's financial condition or occurrence of credit default incident; and (iv) occurrence of other material risk issues that may require re-appraisal.

Credit Review and Approval

Our corporate loans are reviewed and approved by authorized persons in accordance with their respective authorizations. The authorized persons consist of heads of business units, the Credit Approval Department and the Chief Risk Officer. Any loan application beyond the authorizations of the Chief Risk Officer shall be submitted to the Board of Directors.

Heads of business units have the authorization to review and approve the low-risk transactions, certain non-low-risk transactions and certain transactions re-delegated to business units by the Head

Office. Heads of business units is generally authorized to review and approve outstanding corporate credit applications of no more than RMB50 million. Transactions that are beyond the authorizations of business units should be submitted to the Credit Approval Department for review and approval.

The Credit Approval Department is generally authorized to review and approve corporate credit applications of no more than RMB1,500 million. The Credit Approval Department conducts general credit review and approval of credit applications within its authorizations in the following manner: After two customer managers at the business unit investigate the credit applications, and the reviewers conduct credit review, the application is submitted to the head of the business unit (or re-delegated officer) for signature. Credit applications surviving such review are passed on to the reviewer at the Credit Approval Department for initial review before being submitted to the corresponding level of the Credit Approval Department for final review and approval in accordance with their respective authorizations. Credit applications are reviewed and approved by the head of the Credit Approval Department shall be reviewed by the reviewer at the Credit Approval Department and approved by a "two-thirds majority" of the credit approval committee, before being submitted to the relevant level of the Credit Approval Department for signature and approval. Any loan application beyond the authorizations of the head of the Credit Approval Department shall be submitted to the Chief Risk Officer for review and approval.

The Chief Risk Officer is generally authorized to review and approve corporate credit applications of more than RMB1,500 million within his authorization. Loans applications that are within the credit review and approval authorization of the Chief Risk Officer are reviewed and approved generally as follows: After two customer managers at the business unit investigate the credit applications and the reviewers conduct credit review, the application is submitted to the head of the business unit (or re-delegated officer) for signature. Credit applications surviving such review are passed to the reviewer at the Credit Approval Department and reviewed and approved by a "two-thirds majority" of the credit approval committee before being approved by the first-level reviewer and submitted to the Chief Risk Officer for signature and approval. Certain credit applications of high risk level shall be reviewed by the senior credit approval committee before being approved by the Chief Risk Officer.

Any loan application beyond the authorizations of the Chief Risk Officer shall be submitted to the Board of Directors. Material related party transactions must be reviewed by the Related Party Transactions and Risk Management Committee and submitted to the Board for approval.

Loan Disbursement

We have the loan disbursement reviewers in place at both the Head Office and branches and sub-branches. The reviewer determines whether the conditions precedent for the disbursement have been satisfied, confirms the completeness, legality and general validity of loan agreements and other transaction documents, and ensures all documents are properly authorized and completed as required. The disbursement application could only be approved after the satisfaction of all conditions precedent and completion of the review process by the reviewer.

Post-Disbursement Management

Our post-disbursement management consists primarily of monitoring the use of loan proceeds, post-disbursement inspection, risk monitoring and alert, collateral management, loan risk classification, and management of overdue loans and non-performing loans.

Monitoring of the Use of Loan Proceeds

We closely monitor the use of loan proceeds to ensure the funds are used for the purpose as specified in the loan agreement.

Credit Risk Reassessments

Based on the available information of customers, the value of collateral and the change in the customers' risk profile, we reassess credit risks of the corporate customers from time to time. If the customer issues the latest financial statement and its previous rating was conducted more than 12 months, we will re-rate the customers based on the latest financial information. If the value of collateral for which the customers provided to obtain the credit deteriorates materially, we will re-rate the rating of the respective business based on the latest collateral value. If the borrower experiences operational or financial difficulties due to adverse political, macroeconomic, market condition, industrial, and legal changes, our customer manager will re-collect customers' information, and re-rate the customers. In accordance with the requirements of CBRC, we determine the risk classification of the outstanding loans on a quarterly basis and adjust it from time to time. We implement different post-disbursement management according to its respective risk classification, such as increasing the frequency of post-disbursement inspection. If customers experience adverse material changes in its operation and such changes may not be resolved in short term, which leads to the loan is at risk of not being repaid on time and in full, our business units shall implement measures based on customer list-based management, to respective customers such as adopting prudent credit review and approval process, debt restructuring, demanding additional guarantors or additional collateral, and loan collection.

Post-Disbursement Inspection

Post-disbursement inspection mainly covers the borrower's overall status, use of the loan proceeds, major operation and management issues, financial and operational conditions, project progress of the projects financed by our loan, settlement records and the status of the collateral. Our post-disbursement inspection is performed through on-site visits or off-site monitoring. During on-site inspections, we visit our customers, interview their senior management such as the legal representative or financial officer, inspect their business premises, review their financial accounts, and check their inventories to identify any potential issues on a timely basis. Various visual and video files obtained during the visits will be kept as evidence and as appendices to the post-disbursement inspection reports. In conducting off-site monitoring, we analyze various data provided by our customers and the relevant information collected through the information system of certain regulatory authorities (such as tax authorities, industry and commerce bureaus and credit information authorities), as well as other channels such as telephone, Internet and media.

Customer managers at the originating branch are responsible for post-disbursement management of loans. They inspect our loan customers on a regular basis. The risk management departments at our originating branches are required to work together with customer managers on post-disbursement inspections of general customers with a credit line balance at or above the amount of RMB50 million and a separate post-disbursement report should be produced. We conduct on-site inspection on the customers whose loans are classified as "normal" at least on a quarterly basis and on the customers whose loans are classified as "special mention II" at least on a monthly basis. We formulate recovery plans and actions on the loans classified as "Substandard" or lower classifications.

Risk Monitoring and Alert

We actively monitor, identify and control any potential or actual risks that may damage our asset quality. The Risk Management Department summarizes and analyzes bank-wide risk information and evaluates the overall risk exposure on a regular basis. All branches and sub-branches are responsible for gathering information on borrower and guarantor from several sources, including from borrowers and guarantors themselves, regulators, industry reports, research and analysis reports, consulting firms and media. We conduct analysis on all factors that may affect the repayment capabilities of borrowers, including financial condition, use of proceeds, guarantee and non-financial factors such as industry risk, operational risk, management risk, nature and society, repayment history and willingness to pay. We adopt a name-list-based management approach to credit business and implement standard operational procedures, a supervision hierarchy, ongoing due diligence and subsequent countermeasures, to classify and manage risks, coordinate post-disbursement resources and control risks. We have formulated operational rules on the process of credit extension and set up a name-list-based management module in the credit system, to monitor loans on a continual basis and improve transparency.

Management of Collateral

We have formulated standardized procedures on the collateral management, to improve the management of third-party appraisers and improve records of collateral. All business units are responsible for entering records of collateral into our loan management system. Upon declines in the value of any collateral, we shall dispose of the collateral or demand additional collateral or request prepayment as early as possible.

Loan Classification

As required by CBRC, we classify our loans into five categories, namely normal, special-mention, substandard, doubtful and loss in accordance with the level of risk of the outstanding loans. Loans in substandard, doubtful and loss classifications are considered as non-performing loans. To identify and alert of potential loan risks effectively, the special mention category is subdivided into subcategories I, II and III. We classify our outstanding loans and submit the loan classification data to PBoC and CBRC on a monthly basis. See “Assets and Liabilities—Assets—Asset Quality of Our Loan Portfolio—Loan Classification Criteria.”

For the specific requirements of CBRC on loan classification, see “Supervision and Regulation—Loan Classification, Allowances and Write-off—Loan Classification.”

The Asset Monitoring Department is responsible for the centralized management of our bank-wide loan classification, leading the implementation, review, classification, statistics, and analysis and reporting of loan classifications. The factors we consider when classifying our loans include, among other factors, the borrower’s repayment ability, repayment history, willingness to repay, guarantees, collateral, profitability of projects funded by the loan proceeds and the credit management status of the originating branch. The Finance and Accounting Department of the Head Office makes provisions for loan losses annually based on the results of asset classification, combined with regulatory indicators of the banking industry, such as loan loss provision ratio or provision coverage ratio. Loans are classified at least on a quarterly basis and can be reclassified immediately based on post-disbursement inspection results and risk alert signals.

Management of Overdue Loans

We monitor maturities of loans on a monthly basis. Our customer managers remind borrowers by various means to repay our loans, and complete a loan maturity checklist 30 days prior to the maturity of the loan. The risk management department at the originating branch sends "reminder and acknowledgment of loans maturing next month" to sales departments no later than the fifteenth day of each month, urging sales departments to go through and forecast mature loans. Sales departments shall return the feedback to the risk management department within five days. Customer managers send notices on overdue loans (overdue interests) to borrowers and guarantors within one month after the loans become overdue. Before a loan is repaid in full, customer managers visit the borrower and the guarantor at least once a month to collect the loan. We also prepare post-disbursement inspection reports on a timely basis, recording the reasons for borrowers' failure to repay our loans when due and our collection efforts.

Management of Non-Performing Loans

Loans classified as substandard, doubtful and loss are non-performing loans in accordance with the requirements of CBRC. The Asset Monitoring Department guides and oversees all our departments to recover and dispose of non-performing loans. The Yangcheng Sub-branch is responsible for recovery of the majority of our non-performing corporate loans, while other branches and sub-branches take charge of recovery of non-performing corporate loans under their jurisdiction that have not been submitted to the Yangcheng Sub-branch.

To recover non-performing loans, we make regular collection efforts against borrowers, including direct collection, contractual collection and account debit as our first step. If we are unable to collect the non-performing loans, we will initiate legal or arbitration proceeding to collect loans. To the best of our interest, non-performing loans may be disposed of by waiver of interest in part or in full, assignment of creditor's rights, debt payment in kind and debt restructuring, among other methods. If we still are unable to recover non-performing loans through other means, we will write off non-performing loans according to the applicable rules.

Collection of loans by litigations (arbitrations). We may initiate legal proceedings, or apply for payment order, arbitration, attachment or compulsory execution to collect loans.

Waiver of interest. When the borrower of a non-performing loan experiences operational or financial difficulties and is unable to repay its debt fully, and the borrower, the guarantor or a third party agrees to pay the principal and interest of the non-performing loan in part or in full in cash or with quality assets, we may waive the interest in part or in full and recover the non-performing loan as early as possible subject to the approval of the competent approver on the interest waiver application by the loan management institution.

Assignment of creditor's rights. We may assign creditor's rights under borrowing contracts to financial asset management companies, local government, corporate entities or individual investors, to recover non-performing loans. The approval must be obtained from the competent approver on the assignment application by the loan management institution and is in compliance with the requirements of CBRC and our internal policies.

Debt Payment in kind. Borrowers may pay mature debts by property in kind, such as land and real properties, if they are unable to pay mature debts in cash.

Debt restructuring. A non-performing loan may have mitigated risks or be reclassified as normal, after the creditor and a new debtor, arising from asset restructuring of the original debtor, sign a repayment agreement and renew the loan by means of asset transfer, merger, acquisition, spinoff, consolidation or shareholding. Another way an non-performing loan can be reclassified is if, based on assets, capital and the debtor-creditor relationship, a non-performing loan of the original borrower is taken over by a new entity that is obviously superior to the original borrower in terms of business performance and solvency, so that non-performing loans are reduced. Debt restructuring is subject to approval according to our credit review and approval process.

Write-off. Where we still fail to recover non-performing loans through other possible means, we will write off qualified non-performing loans according to the requirements of MOF and the SAT after careful review. Prior approval must be obtained before writing off a non-performing loan. A staff member at the business units shall originate a write-off request, which will be reviewed by relevant departments and the head of the business units and then submitted to the Asset Monitoring Department at the Head Office for review, followed by final approval by authorized persons in accordance with respective authorization.

Risk Management for Trade Finance

Our risk management measures for trade finance mainly include the following:

- Credit applicants are required to meet our client onboarding criteria with respect to the industries and customers. We do not allow our trade finance business to be used to support customers or businesses that do not meet policy or regulatory requirements;
- We cross-verify the truthfulness of trade background strictly based on information gathered from upstream and downstream parties of customers, warehousing companies, logistics operators, customs and taxation authorities, as well as by reviewing trade documents, such as trade contracts, custom declaration documents, invoices and shipping documents;
- Trade finance facilities must be used for the intended purpose and the term of financing must match the cycle of underlying trade;
- The transfer of funds generated from the operating activities of the borrowers must be effectuated in the accounts under our monitoring, so that we can identify the source for repayment and ensure that the funds generated in the trading activities are used to repay the loans;
- With respect to the risk management of trade finance, we focus on process management and dynamic evaluation, close monitoring of cargo and cash flows, the analysis of future cash flows arising out of trade and effective monitoring of cargo and cash flows during trade, so as to combine client risk control with trade risk control.

Risk Management for Bill Discounting Business

We have promulgated management measures and procedures for our bill discounting business. Relevant business departments approve bill discounting in accordance with authorizations from our Head Office. We provide discounting of bank acceptance bills and commercial acceptance bills. We manage the risk arising from discounting of bank acceptance bills primarily through verifying the authenticity of the bills and the items recorded on the bills.

Discounting of commercial acceptance bills is included in our credit management, and approval procedures are conducted in accordance with our general corporate credit approval authorizations and process. Upon the credit approval is obtained, we require two customer managers at the originating branch or sub-branch holding originals of the commercial bills, to conduct on-site inspections on the corporate customers requesting bill discounting and verify the truthfulness of the underlying transactions. Commercial bills requested to be discounted are sent to the commercial bill office at the originating branch or sub-branch to confirm the truthfulness of commercial bills. The authorized approval department reviews the disbursement applications submitted. Upon review and approval, our back-office settlement department releases the funds to the enterprises. Before the maturity of bills, our settlement department dispatches collection instructions to the acceptance bank to collect payments. The Asset Monitoring Department of our Bank makes risk classifications on commercial acceptance bills based on the repayment status. We only accept bill discounting applications from customers with sound credit records and good business relationship with us. We seek to verify the truthfulness of underlying transactions of discounted bills and focus on matters affecting the repayment capability of discounting applicants and the acceptance bank.

Portfolio Management and Credit Guidelines

We have established specialized policies for credit risk management in key risk areas, such as loans to local government financing vehicles, loans to corporate borrowers in the real estate industry and loans to enterprises in industries with overcapacity.

Credit Risk Management for Loans to Local Government Financing Vehicles

We strictly manage loans to government financing vehicles in accordance with regulatory policies and our credit policies. Particularly, we make special efforts to prevent policy risks in the course of our business operations. We carry out a prudent operation under the principles of controlling the overall credit risk exposure to local governments, complying with all requirements of regulatory policies and effectively preventing compliance risk. We strictly control our overall credit exposure and provide policy guidance when necessary.

CBRC requires that all banks in the PRC shall classify loans to local government financing vehicles based on cash flow coverage ratio (equal to the cash flow of borrowers divided by principal of loans and accrued interests). As of December 31, 2016, all loans to local government financing vehicles were fully covered by cash flow, and the proportions of our loans to government financing vehicles at municipal level and lower level were 81.0% and 19.0%, respectively.

As of December 31, 2014, 2015 and 2016, the balance of loans we granted to local government financing vehicles was RMB8,816 million, RMB7,797 million and RMB5,554 million, respectively, accounting for 7.4%, 5.3% and 3.6% of the balance of our corporate loans, respectively. As of the same date, none of our loans to local government financing vehicles was classified as non-performing. As of December 31, 2016, the balance of loans to local government financing vehicles was RMB5,554 million, including RMB2,291 million to water conservancy, environmental and public infrastructures construction, RMB2,188 million to municipal infrastructures construction, RMB534 million to real estate industry, RMB341 million to inter-city railway projects and RMB200 million to investment and asset management business. As of December 31, 2016, the total balance of secured or guaranteed loans we granted to local government financing vehicles was RMB1,204 million, accounting for 21.7% of the balance of loans we granted to local government financing vehicles. The remaining loans were credit loans.

Credit Risk Management for Loans to Corporate Borrowers in the Real Estate Industry

We manage loans to corporate borrowers in the real estate industry under the principle of "choosing the best, treating separately and controlling overall exposure."

- choosing the best: We encourage and support top enterprises in the real estate the in terms of country-wide sales or regional sales and support small or medium local enterprises in the real estate industry with good quality. We encourage and support residential developments intended for self use and provided with well-developed amenities and upgraded facilities. We set high standard of onboarding criteria for and exercise prudence over high-end residence, hotels, apartments and office buildings, among other commercial developments. We refrain from pure commercial complex projects using future rental income as the main source of repayment.
- treating separately: We set different proportion of self-invested funds according to different aspects such as project area, the customer qualification and business structure.
- controlling overall exposure: Our concentration of total real estate related loans remain lower than the regulatory requirement of 20% as calculated pursuant to CBRC requirements.

As of December 31, 2014, 2015 and 2016, the balance of corporate loans we granted to the real estate industry was RMB16,712 million, RMB18,947 million and RMB24,791 million, respectively, accounting for 14.0%, 12.9% and 16.2% of our corporate loan balance, respectively. As of December 31, 2014, 2015 and 2016, our mortgaged and pledged loans to corporate customers in the real estate industry accounted for 86.0%, 92.0% and 84.3%, respectively. As of the same date, the non-performing loan ratio of our loans to corporate customers in the real estate industry was 0.95%, 1.03% and nil, respectively.

Credit Risk Management for Loans to Industries with Overcapacity

The State Council and CBRC have promulgated policies to restrict loans to industries with severe overcapacity (including steel, cement, plate glass, electrolytic aluminum and shipping industries). We adjust our credit policy on a timely basis and adopt dynamic approaches on credit extensions to support industrial restructuring in Guangdong Province. We seek to reduce credit exposure to or exit from enterprises with overcapacity, outdated production equipment, high resources consumption and serious environmental pollution. With regard to outstanding loans to those industries with overcapacity, we allocate our credit resources based on our current risk exposure profile and seek to improve our client onboarding criteria to refine our customer mix and prompt exit from the industries with overcapacity.

As of December 31, 2014, 2015 and 2016, the balance of our loans to enterprises in industries with overcapacity was RMB619 million, RMB639 million and RMB1,177 million, respectively, accounting for 0.5%, 0.4% and 0.8% of our corporate loan balance, respectively. As of December 31, 2014, 2015 and 2016, loans secured by mortgages or pledges accounted for 98.5%, 98.1% and 62.4% of these loans, respectively. As of the same date, the non-performing loan ratio of our loans to enterprises in industries with overcapacity was 1.08%, 1.40% and 1.18%, respectively.

Credit Risk Management for Loans to Small and Micro Enterprises Customers and Personal Loans

Customer Applications and Pre-Loan Investigation

Our customer managers conduct preliminary screenings of customer applications in accordance with our current credit policies and collect relevant credit information from eligible potential customers. Meanwhile, our customer managers negotiate with the potential customers to determine key terms of the loan, including the amount, maturity, interest rate, means of security and repayment schedule. We require our customers to fill out an application form which contains certain information such as intended use of loans, working and business operation experience, source of income, guarantee and authorization of checking credit records. We conduct the on-site pre-loan investigation for loans to small and micro enterprises customers and personal loans. We analyze the information collected from various channels, such as the national personal credit database of PBoC and the website of courts in accordance with the relevant requirements of the Head Office when we evaluate the creditworthiness of our customers. Upon our receipt of applications for loans to small and micro enterprises customers or personal loans, customer managers prepare credit reports based on findings in pre-loan investigation, and submit application documents to authorized persons for review.

Credit Rating of Customers

We established a retail scorecard project team and developed a number of scorecards to evaluate our small and micro enterprise customers and retail customers. We established an internal credit rating system for small and micro enterprise customers and retail customers. As the basis for our identification, measurement, monitoring and control of credit risks, internal credit rating provides important support for credit analysis, loan approval, loan pricing and post-disbursement management, among other things. Our ratings on individual customers are divided into five classes based on their creditworthiness: automatic approval, recommended approval, manual review, prudent review and recommended disapproval. Credit ratings are assigned on the eligibility of a qualified borrower, including the considerations of the following factors: age, educational background, occupation, job title and seniority; household income per capita; ratio of total family debt to annual family income; family household assets; industry sector, operation status and development prospects of the borrower’s employer; the borrower’s years of service in the current job; whether the borrower is our existing customer or has deposits with us; the relationship between the borrower and us and the credit records of the borrower. Credit rating results are automatically generated by our scorecard decision-making system, based primarily on scores and combined with customer class, collateral type and guarantee.

Credit Review and Approval

The Retail Credit Approval Department of the Head Office is in charge of credit review and approval for loans to small and micro enterprises customers and personal loans within the authorized scope.

Heads of business units (or re-delegated officers) have the authorization to review and approve low-risk transactions and transactions which are re-delegated to business units by the Head Office. Transactions that are beyond the authorization of business units should be submitted to the Head Office.

The Retail Credit Approval Department conducts credit review and approval of personal business loans, personal consumption loans, IPC businesses for loans to small and micro customers and credit card balances within its authorization. We established different review and approval processes based on factors such as type of business, final decision-making authority and utilization of retail scorecards, with steps added to or removed from the following basic process.

Loans applications that are below the approval authorization of our Chief Risk Officer are reviewed and approved as follows: After two customer managers at the business unit investigate the credit applications and the reviewers conduct credit review, the application is submitted to the head of the business unit (or re-delegated officer) for signature. Credit applications surviving such review are passed to the reviewer of Retail Credit Approval Department for the preparation of preliminary review opinion, before being submitted to corresponding level of the Retail Credit Approval Department for final approval.

Loans applications that are within approval authorization of our Chief Risk Officer are reviewed and approved as follows: After two customer managers at the business units investigate the credit applications and reviewers conduct credit review, the application is submitted to the head (or re-delegated officer) of the business units for signature. Credit applications surviving such review are passed to the reviewer of Retail Credit Approval Department for the preparation of preliminary review opinion, before being submitted to the head of Retail Risk Management Department for approval and signature or approved and signed by the Chief Risk Officer after the signature of the head of the Retail Credit Approval Department in accordance with their respective authorization.

Loan Disbursements and Post-Disbursement Management

The disbursement procedures for loans for small and micro enterprises customers and personal loans are similar to those for corporate loans. Loans can be disbursed only upon the satisfaction of all the conditions precedent.

The originating branches or sub-branches disbursing loans are responsible for post-disbursement management. Our customer managers for loans for small and micro enterprises customers and personal loans conduct regular review of and maintain contact with the borrowers. We monitor loan repayment schedules and focus on significant changes in the borrower's income and expenses. With respect to overdue loans, we look into the reasons and assess default risk. Where we believe a material default risk is present, we will suspend further drawdown of the loan or request additional collateral. We established a specialized retail loan recovery unit, responsible for the recovery of non-performing personal loans.

We classify personal loans into five categories based on the days by which repayment is overdue and the borrowers' collateral in accordance with CBRC's provisions and rules. See "Assets and Liabilities—Assets—Asset Quality of Our Loan Portfolio—Loan Classification Criteria."

Credit Risk Management for Credit Card Business

Our relevant risk management departments promulgate and amend the credit policies regarding our credit card business, sets credit limits and credit approval criteria for different groups of customers, assigns ratings for our customers, designs differentiated application criteria and approval procedures. Our Retail Credit Approval Department approves credit extension for our credit card business. We set up strict entry requirements for credit card applicants. We also verify applicants' credit information through various channels and evaluate the applicants' income, employment status and credit records comprehensively in order to grant reasonable credit lines. The Retail Credit Approval Department monitors credit card risks on a real-time basis, launches a credit card transaction monitoring system to detect suspicious transactions and gives advice on credit line adjustment or card suspension held by cardholders with higher risk who experience material adverse changes in financial condition or have defaulted to issuing sub-branches for risk prevention promptly.

We review and identify our customers' potential credit risks by leveraging internal and external credit information sources, including our blacklists, the personal credit information database maintained by PBoC, the identity verification system maintained by the Ministry of Public Security, and risk information shared by China UnionPay and other financial institutions.

Credit Risk Management for Financial Market Business

Our financial market business is exposed to the credit risk associated with the investment business and interbank business. The Financial Market Department is the primary department for financial market business operations. The Risk Management Department and the Credit Approval Department is the primary department for risk management of financial market business. We assign a credit limit to each counterparty and each issuer of debt securities in accordance with our credit approval procedures. The Financial Market Department conducts transactions within the assigned credit limit.

General review and approval procedures for financial market business are as follows: The staff member originating a transaction investigates the application and then submits it to the reviewer at the originating unit for review and approval. Transaction applications within the scope of authorization of the originating unit shall be submitted to and signed by the head of the originating unit upon reviewed by the risk director (if any). Transaction applications that are beyond the credit review and approval authorizations of the originating unit are submitted to the Head Office for review and approval. The reviewer of Credit Approval Department reviews and prepares a preliminary opinion to be submitted, in accordance with our approval authorization, to relevant levels of Credit Approval Department for approval, or to the specialized approval committee for approval by no less than a two-thirds majority before being approved by relevant levels of Credit Approval Department. Transactions being the authorization of the Chief Risk Officer shall be approved by the first-level reviewer of the Credit Approval Department before being approved by the Chief Risk Officer. Certain credit applications of high risk level shall be reviewed by the senior credit approval committee before being approved by the Chief Risk Officer. Any loan application beyond the authorizations of the Chief Risk Officer shall be submitted to the Board of Directors.

Credit Risk Management for Investments

We primarily invest in bonds and other debt instruments issued by financial institutions. We manage risks associated with investments by assigning credit limit and assessing credit risk. Our Head Office adopts a centralized credit approval model to investment business, and branches and sub-branches may not engage in investment business without the prior authorization from our Head Office.

Investment in bonds. To meet the regulatory requirement on the maturity structure of assets and liabilities and minimize the impact on capital adequacy and liquidity, we invest primarily in the bonds or notes secured by state credit or those with low risks, including but not limited to bonds and central bank bills issued by the PRC government, policy banks, and other financial institutions and non-financial institutions. In addition, we set credit lines to bond issuers according to the credit approval process and strictly restrict our transactions to the authorized credit lines.

Investment in other debt instruments issued by financial institutions. Our investments in other debt instruments issued by financial institutions mainly include asset management plans, trust fund plans, wealth management products issued by other financial institutions and other financial instruments permitted by the regulators.

We centrally manage and approve credit risks relating to asset management plans at our Head Office. We carry out comprehensive risk review of the asset management companies or the securities companies before entering into agreements with such financial institutions. After completing our risk assessment based on the total assets, net assets and capability to perform contracts of the asset management companies, the securities companies or other financial institutions, we would request such companies to arrange sufficient professionals to manage the trust assets, and ascertain whether the companies have established sound internal risk control, internal audit, accounting management and human resources to ensure that the assets we entrust and the companies' own assets are segregated. Furthermore, we would require that the asset management companies, the securities companies or other financial institutions may not make any investments until the receipt of investment instruction from us or third-party custodian banks in accordance with the asset management plans contracts. In addition, the funds under the assets management plans would be placed at and supervised by the third party custodian banks in accordance with our contracts with the asset management companies, the securities companies or other financial institutions, and the transfer of funds must be made and monitored by the custodian bank. The commercial banks issuing the negotiated deposits or banks guaranteeing the bank acceptance bills invested under asset management plans are also our credit customers. Besides, based on our overall risk appetites, we set up respective investment objectives for each asset management plan.

We manage the investments in trust fund plans in our centralized credit management system. We have established a counterparty evaluation system to conduct credit assessment on the financing parties, and require the financing parties or third parties to provide full guarantees for the principal and expected yields under the trust fund plans by collateral, pledges or guarantees. In selecting the financing projects for investments through the trust fund plans, we, on the conditions that the projects must be legal and subject to manageable risks, mainly select the projects with high yields and growth prospects. Before investing in the projects, we will review the due diligence investigation on the financing parties and financing projects by the trust company issuing the trust fund plans, participate in the due diligence investigation on the financing projects, and carry out corresponding credit assessment of the financing project and financing parties. After investing in the projects, we will carry out follow-on investigations of the financing parties and real-time monitoring of their operation and financial position. In addition, in accordance with the contracts entered into between us and the trust company, in the event that the trust company is unable to fully recover the principal and expected yields from the financing parties, we may require the trust company to take certain actions, including exercise of its rights under guarantee, so as to reduce our losses.

Prior to making investment in wealth management products issued by other financial institutions, we assess the risks associated with such wealth management products by reviewing various factors, including the credit condition of those commercial banks and the portfolio investments of the wealth management products. We generally invest in wealth management products issued by commercial banks which have relatively good asset management capabilities. Our investments in wealth management products issued by other financial institutions are subject to centralized credit extension management according to credit risk management for interbank business. See "—Credit Risk Management for Interbank Business."

Credit Risk Management for Interbank Business

Our interbank business includes interbank deposits, negotiated deposits, money market transactions, interbank bill discounting and bill rediscounting. Our interbank business is subject to centralized approval and management by our Head Office, and no branches or sub-branch may conduct any interbank business without prior authorization from our Head Office. We assess operating condition, financial condition, off-balance sheet commitment, compliance with regulatory indicators, risk events, proposed cooperation and other indicators of the banks of our interbank business, and determine reasonable credit limits in accordance with their actual needs and solvency, as well as our asset and liability structure and credit approval requirements. Our Financial Market Department and the Credit Approval Department, as the management departments for the credit lines of interbank business, timely adjust and monitor the credit lines in accordance with the relevant approval requirements.

Credit Risk Management Information Technology System

Our credit management system is the technical foundation for our bank-wide credit risk management and is a prerequisite for achieving the electronic management for risk control prior to and during a risk event. We have developed a credit management system, collateral management system, electronic bills system and supply chain system and further strengthen the application of information technologies in credit risk control and prevention. For the credit risk management, we are developing and establishing our corporate banking internal credit rating information system, to provide technical support to strengthen our credit risk management.

To meet our evolving credit risk management requirements, we seek to continue to upgrade and improve functionality of our existing information technology system and develop new systems.

MARKET RISK MANAGEMENT

Market risk is the risk of loss in on- and off-balance sheet positions arising from adverse movements in market prices (interest rate, exchange rate, stock prices and commodity prices). The primary market risks are interest rate risk and exchange rate risk. Interest rate risk is the risk of loss arising from adverse changes in statutory or market interest rates. Exchange rate risk is the risk of loss arising from currency mismatch between assets and liabilities.

We seek to keep potential market losses within acceptable limits based on our risk tolerance while seeking to maximize risk-adjusted returns.

Our organizational structure for market risk management covers the front, middle and back offices. Our Board of Directors bears ultimate responsibility for supervising our market risk management. Our senior management is responsible for the formulating, regularly reviewing and supervising the implementation of market risk management policies, procedures and operational processes. We established a market risk management system of “three lines of defense.” The Financial Market Department and the Corporate Finance Department, being the first line of defense, are responsible for doing transactions in accordance with relevant policies, rules and procedures set forth by the Risk Management Department, preparing periodical and non-periodical market risk reports, setting market risk exposure limits and carrying out internal approval procedures and operational procedures within the limits. The Risk Management Department, being the second line of defense, is responsible for developing market risk management strategies, policies and procedures, setting bank-wide acceptable market risk level and exposure limits, and identifying, measuring, monitoring and reporting market risk. The Internal Audit Department, being the third line of defense, is responsible for reviewing and assessing compliance and effectiveness of our market risk management activities, submitting market risk audit plans and audit reports to the Board of Directors and briefing the Board of Supervisors on market risk audit results directly.

Our market risk management consists of the identification, measuring, monitoring and control of market risk. We primarily employ sensitivity analysis, foreign currency exposure analysis, gap analysis, duration analysis, scenario analysis and value-at-risk analysis to measure and monitor market risk. In addition to our general methodology, we adopt the market risk stress test to analyze the impact of assumed extreme possible adverse scenarios on us as a whole or our asset portfolio and assess the negative impact on our asset quality and profitability. We also set authorized risk limits for various products based on factors such as our overall market risk tolerance level and business strategy as well as market conditions for specific products. We set different exposure limits and employ different quantitative measures to manage different types of market risks arising from our banking book and trading book.

Market Risk Management for our Banking Book

Interest Rate Risk Management

Interest rate risk is the exposure of a bank's financial condition to adverse movements in interest rate. The primary source of interest rate risk arising from our banking book is the mismatch in maturity or repricing dates of our interest rate sensitive on- and off-balance sheet assets and liabilities. Maturity or repricing date mismatches may result in changes in net interest income and economic value due to fluctuations of the prevailing interest rates. We are exposed to interest rate risk through our day-to-day lending, deposit-taking activities and our financial market business.

We manage interest rate risk exposure of our banking book primarily through the adjustment of the mix of assets and liabilities. We seek to adjust our asset-liability portfolio by adjusting interest rates and pricing for various products, adjusting funds transfer pricing, developing new products and promoting asset securitization. We use repricing gap analysis, duration gap analysis, and scenario simulation analysis to measure the potential exposure of interest rate changes.

Exchange Rate Risk Management

Exchange rate risk is the risk exposure of a bank's financial condition to adverse movements of exchange rate. Exchange rate risk primarily arises from mismatches in the currency denomination of our on- and off-balance sheet assets and liabilities and mismatches in the currency positions of our foreign currency transactions. We seek to manage exchange rate risk resulting from currency mismatch by matching the sources and uses of our assets and liabilities and keeping the currency of assets and liabilities consistent.

Market Risk Management for our Trading Book

Market risk arising from our trading book comes primarily from fluctuations in the value of the financial instruments on our trading book due to changes in interest rates and exchange rates in the market. We set the market risk limit indicators for our trading book, including the sensitivity limit and stop-loss limit for interest rates, reevaluate the market value of positions in our Renminbi trading book on a daily basis, and measure the market risk of foreign currency trading accounts regularly through the sensitivity analysis, stress test and other measures.

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk of failure to acquire sufficient funds in time or failure to acquire sufficient funds at a reasonable cost to pay maturity debts, fulfill other payment obligations and meet other funding needs arising from the business operations. Factors affecting our liquidity include the maturity mix of our assets and liabilities and changes to market liquidity and banking regulations, such as changes in statutory deposit reserve ratio requirements. The objectives of our liquidity risk management are to ensure the availability of adequate funding at all times to meet our payment obligations and fund our business operations on a timely basis.

Our organizational structure for liquidity risk management is formed on the basis of separation of the responsibilities for the formulation, implementation and supervision of liquidity risk management policies and procedures. Our Board of Directors bears the ultimate responsibility for our liquidity risk management. Senior management is responsible for the management of our liquidity risk under the acceptable liquidity risk level defined by the Board of Directors. The Asset and Liability Committee under our senior management is responsible for the management of our liquidity risk, specifically, responsible for formulating our liquidity management policies and leading the implementation of these policies. Our Board of Supervisors is responsible for supervising and assessing the performance of Board of Directors and senior management in terms of liquidity risk management. Finance and Accounting Department, Financial Market Department and other related departments, are responsible for liquidity risk management on a day-to-day basis.

We manage our liquidity risk mainly through monitoring the maturities of our assets and liabilities to ensure that we have sufficient funds to fulfill obligations as they become due. We have further strengthened our liquidity risk management after CBRC issued the "Measures for Liquidity Risk Management of Commercial Banks (Trial)", effective as of October 1, 2015. We have implemented the heightened regulatory requirements through closely monitoring various liquidity ratios, strengthening the exposure limit management, formulating contingency plans and enhancing liquidity risk management and stress tests. At present, we manage our liquidity risk through positions reporting and monitoring, cash flow analysis, liquidity stress test, liquidity exposure limits, and liquidity indicator monitoring, and certain other tools. Our major liquidity risk management measures include:

- formulating strategies and plans of asset and liability management and adjusting the maturity mix of our assets and liabilities;
- centralized cash flow management and position limit management;
- implementing a forecast system for large-sum fund flows and increasing the forecast precision based on assessments so as to ensure reasonable capital allocation, to guarantee daily liquidity and to improve capital utilization efficiency;
- use of internal funds transfer pricing to guide our business;
- setting a exposure limit for quality bonds to ensure sufficient reserve of quality liquidity assets for a stronger buffer against liquidity risks;

- strengthening financing channel management by actively maintaining relationships with counterparties and diversify our financing sources through introducing new types of financing methods including certificates of deposits and asset securitization;
- setting liquidity limits on a quarterly basis, to assure compliance of the liquidity indicators and keep bank-wide liquidity risk under an acceptable level;
- regularly monitoring and predicting changes in key indicators of liquidity risk, including liquidity ratio, liquidity coverage ratio, provision coverage ratio, liquidity gap ratio and core debt dependency ratio;
- conducting periodical cash flow analysis and quarterly liquidity stress tests to identify potential liquidity risk and develop risk mitigation measures;
- establishing an early warning system and solution procedures for liquidity risk; and
- formulating a contingency plan to ensure sufficient funds under different market conditions.

OPERATIONAL RISK MANAGEMENT

Operational risk refers to losses that may be incurred due to inadequate or failed internal procedures, personnel or information technology systems, or external events. The primary operational risks we face include internal and external frauds, worksite safety failures, business interruptions, damage of tangible assets, failures in our information technology system, and failures in our business operations and management. Our operational risk management objectives are to establish and improve our operational risk management framework to achieve effective management of operational risks and to minimize operational risk losses.

Our organizational structure for operational risk management consists of our Board of Directors, senior management, Compliance and Legal Affairs Department, Internal Audit Department and various other departments and branches and sub-branches. The Board of Directors and senior management lead and supervise our operational risk management. Our Board of Directors bears ultimate responsibility for the effectiveness of operational risk management. Our senior management leads our day-to-day operational risk management. Our business units, Risk Management Department and Internal Audit Department constitute the “three lines of defense” for our operational risk management. We have maintained close coordination and communications among our “three lines of defense”, each also focusing on their own designated responsibilities. Our business units, as the first line of defense, are directly responsible for operational risk management. The Risk Management Department, being the second line of defense, is responsible for establishing operational risk management policies and procedures, and coordinating, supporting and supervising operational risk management. The Internal Audit Department, as the third line of defense, is responsible for evaluating the adequacy and effectiveness of our operational risk management policies and procedures, as well as internal controls.

We seek to further improve our operational risk management through:

- establishing and gradually improving our operational risk management information system;
- employing and introducing advanced operational risk management tools;
- releasing risk alerts periodically;

- strengthening operational risk awareness of the staff through continued training, inspection and audit; and
- strengthening the third line of defense for operational risk by strengthening our internal audit procedures constantly.

INFORMATION TECHNOLOGY RISK MANAGEMENT

Information technology risk refers to the operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and flawed management in the course of our use of information technology. Our objectives for information technology risk management are to identify, assess, monitor and control information technology risks by establishing an effective mechanism to operate our business in a safe, continuous and stable environment. We seek to operate our business in a safe and robust information technology environment and use advanced information technologies to drive business innovation.

The Compliance and Risk Management Committee under the senior management is responsible for reviewing material policies regarding information technology risk management. The Innovation and Technology Construction Committee under senior management is responsible for coordinating on the performance of various responsibilities of information technology management, to ensure the allocation of adequate human and financial resources, and maintain a stable and secure information technology environment. The Compliance and Legal Affairs Center is responsible for the coordination, support and monitoring of bank-wide information technology risk management. The IT Management Department are responsible for the implementation of information technology management policies to prevent, control and mitigate information technology risk.

Our major information technology risk management measures include:

- establishing an effective and flexible structure consisting of our Board of Directors, senior management, Compliance and Risk Management Committee, Innovation and Technology Construction Committee, Compliance and Legal Affairs Center, IT Management Department, Internal Audit Department and all other related departments and business units;
- establishing "three lines of defense" for information technology risk. The IT Management Department, being the first line of defense, is responsible for the implementation of information technology management policies to prevent, control and mitigate information technology risk. The Compliance and Legal Affairs Center, being the second line of defense, is responsible for coordination, support and monitoring of bank-wide information technology risk management and providing advice to business units and information technology departments. The Internal Audit Department, being the third line of defense, is responsible for monitoring the implementation and effectiveness of the structure and measures of technology risk management;
- establishing effective infrastructures and improve our information security, maintenance, development, outsourcing supplier management and our policies, measures and procedures to information technology risk management, to identify, evaluate, monitor and control information technology risk and promote the safe, continuous and stable operation of our information technology system and to improve our sustainable development capabilities, and we have also established 24/7 early warning system and a shift system to promptly handle problems and implement recovery measures;

- improving demand management, test and acceptance, outsourcing supplier management and we seek to increase the interaction between technology and business development, to improve the quality and efficiency of our research and development; and
- strengthening information technology outsourcing risk management through key supplier management, daily monitoring and performance review of our outsourcing activities, strengthening outsourcing service security management, and improving the quality of outsourced services.

REPUTATIONAL RISK MANAGEMENT

Reputational risk refers to the risk of negative publicity and comments on our operations, management and other activities or external events. Our objectives for reputational risk management are to identify, monitor, control and mitigate reputational risk by establishing a proactive, reasonable and effective mechanism of reputational risk management to build and maintain our good corporate image and support our sustainable development.

We have established a tiered organizational framework for reputational risk management. Our Board of Directors, as the highest policy-making body, monitors the general condition and effectiveness of bank-wide reputational risk management and bears the ultimate responsibility for reputational risk management. Our senior management is responsible for our reputational risk management, formulating bank-wide reputational risk management policies in consistent with our strategic targets. General Office takes the lead in day-to-day management of reputational risk.

We manage our reputational risk through:

- maintaining relationship with the press;
- formulating response strategies, management tools and emergency management process;
- regular training of our staff and improving their reputational risk management skills;
- improving client service and complaint management, as well as the quality of our service;
- establishing an information disclosure system, to disclose information to the public timely and accurately, be open to public scrutiny and facilitate normal interviews from the media;
- maintaining relationship with regulators and accepting and completing publicity tasks timely; and
- obtaining and analyzing current information on public comments and clarifying false or incomplete information promptly.

LEGAL AND COMPLIANCE RISK MANAGEMENT

Compliance risk refers to the risk of being subject to legal sanctions, regulatory penalties, significant financial loss and reputational loss as a result of failure to comply with laws, regulations and rules, as well as code of conduct of the industry. Legal risk refers to the risk of being subject to legal liabilities arising from any breach of laws and regulations or contracts, infringement of any legal rights of others or relating to our contracts or business activities. Legal and compliance risk management is an important part of our comprehensive risk management system. The objectives of our legal and compliance risk management are to effectively identify, evaluate, prevent and remediate compliance risk by establishing a sound mechanism of legal and compliance risk management, to ensure our compliance with laws and regulations.

The Board of Directors, as the highest policy-making body, bears ultimate responsibility for our legal and compliance risk management. Our senior management is responsible for our legal and compliance management relating to operational and management activities. The Compliance and Legal Affairs Department of the Head Office is responsible for assisting senior management to effectively identify and manage legal and compliance risks.

The Compliance and Legal Affairs Department conducts regular compliance testing on the operational and management activities of various branches and sub-branches, conducts compliance review on our policies and procedures and our new products and businesses, and reports major compliance risks to our senior management in a timely manner. The Compliance and Legal Affairs Department advises all business units and disseminates compliance alerts and reminders to employees to raise their awareness of compliance risk.

To strengthen legal and compliance risk management, we have formulated a series of updated policies and procedures covering legal and compliance risk management, fraud-prevention management, supervision and inspection on business lines, compliance testing, internal audits, compliance handling and staff training.

ANTI-MONEY LAUNDERING

We have established a bank-wide organizational structure for anti-money laundering and developed anti-money laundering policy procedures in accordance with the PRC Anti-money Laundering Law and other applicable rules and regulations promulgated by PBoC. Our Board of Directors bears the ultimate responsibility for anti-money laundering. Senior management is responsible for the implementation of anti-money laundering policies and procedures. The Anti-money Laundering Center is responsible for formulating anti-money laundering policies and procedures, coordinating all business units, functional departments and branches and sub-branches to implement these policies and procedures and overseeing compliance of the laws and regulations on anti-money laundering. We have established the Anti-money Laundering Center at the Head Office, and relevant business units with anti-money laundering functions lead by specialized task forces at our branches, sub-branches and subsidiaries, to implement day-to-day anti-money laundering policies and procedures.

In accordance with the PRC Anti-money Laundering Law and other applicable rules and regulations promulgated by PBoC regarding anti-money laundering, we have formulated and implemented policies and procedures governing customer due diligence and identification, sanctions screening and transaction record retention, suspected terrorist financing monitoring, and large and suspicious transaction reporting. We seek to continue to improve our anti-money laundering capabilities through reinforcing the “know-your-customer” and customer risk assessment procedures, stepping up risk monitoring and early alert activities, and enhancing the functionality of anti-money laundering information system.

INTERNAL AUDIT

We value the importance of our internal audit, as it is essential to our stable operation and sustainable development. The objectives of our internal audit are to monitor the implementation of applicable laws and regulations and our internal policies, procedures and standard operational procedures, to control our risk exposure at an acceptable level and to improve our business operations.

We have implemented an independent and vertical organizational system for our internal audit. We set up an Audit Committee under the Board of Directors to organize and guide our internal audit work within the authorization by the Board of Directors. The Internal Audit Department reports to our Board of Directors and the Audit Committee. The Internal Audit Department regularly reports to the Board of Directors and its Audit Committee as well as the Board of Supervisors and its Audit Committee, submits reports on audit projects in a timely manner and informs senior management.

As the executive department of our internal audit, the Internal Audit Department is responsible for the supervision, evaluation and consulting independently. According to our internal audit procedures and responsibilities of the departments, Internal Audit Department is responsible for auditing and monitoring the soundness and effectiveness of our internal controls, reviewing the reliability of accounting records and financial statements, analyzing and assessing our business policies and activities of our business units for appropriateness, efficiency and compliance, and auditing and appraising the performance of middle-level management. Internal Audit Department may adopt routine audits and special audits, among other approaches, to audit key activities and fields, and adopt on-site audit, off-site audit or audit surveys depending on the nature of audit projects.

CONNECTED TRANSACTIONS

Upon Listing, the transactions we have entered into with our connected persons (as defined in the Listing Rules) will constitute connected transactions for us under Chapter 14A of the Listing Rules. Such transactions will continue following the Listing Date, thereby constituting continuing connected transactions under the Listing Rules.

Exempt Continuing Connected Transactions

We provide commercial banking services and products in our ordinary and usual course of business to members of the public in the PRC, which include our connected persons (including Directors, Supervisors and/or their respective associates). We also enter into certain non-banking transactions with our connected persons. Set forth below are details of connected transactions between us and our connected persons.

Commercial banking services and products provided in the ordinary and usual course of business—Loans and credit facilities to connected persons

We extend loans and credit facilities in the ordinary and usual course of our business to certain of our connected persons on normal commercial terms (or commercial terms that are better to us) with reference to prevailing market rates. We expect that we will continue to provide loans and credit facilities to our connected persons following Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

The above loans and credit facilities provided by us to our connected persons are in the ordinary and usual course of our business and on normal commercial terms (or commercial terms that are better to us) with reference to prevailing market rates. Therefore, these transactions will be fully exempt continuing connected transactions under Rule 14A.87(1) of the Listing Rules, namely financial assistance provided by us in our ordinary and usual course of business to a connected person on normal commercial terms (or commercial terms that are better to us), and thus will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Commercial banking services and products provided in the ordinary and usual course of business—Deposit taking

We take deposits in the ordinary and usual course of our business from certain of our connected persons at normal interest rates and on normal commercial terms (or commercial terms that are better to us). We expect that our connected persons will continue to place deposits with us following the Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

The deposits placed by our connected persons are on normal commercial terms (or commercial terms that are better to us) with reference to prevailing market rates. Therefore, these transactions will be fully exempt continuing connected transactions under Rule 14A.90 of the Listing Rules, namely financial assistance received by us from a connected person in the form of deposits on normal commercial terms (or commercial terms that are better to us) and not secured by our assets, and thus will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Commercial banking services and products provided in the ordinary and usual course of business—Other banking services and products

We provide various commercial banking services and products (including credit/debit cards and wealth management products) to certain of our connected persons at normal fee standards, service fees and charges in the ordinary and usual course of our business and on normal commercial terms and conditions (or commercial terms that are better to us). We expect that we will continue to provide such banking services and products to our connected persons following the Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

These continuing connected transactions are the provision of other banking services and products to our connected persons and/or their respective associates in the ordinary and usual course of business and on normal commercial terms that are comparable or no more favorable than those offered to Independent Third Parties and are expected to constitute the *de minimis* transactions under Chapter 14A of the Listing Rules. As a result, these transactions will constitute fully exempt continuing connected transactions pursuant to Rule 14A.76(1) of the Listing Rules, and thus will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Other de minimis transactions

We also enter into certain non-banking transactions with our connected persons and/or their respective associates from time to time in our ordinary and usual course of business (such as leasing of properties which are used as our outlets and offices) on normal commercial terms (or better terms to us) and which will constitute *de minimis* transactions under Rule 14A.76(1) of the Listing Rules. The transactions contemplated under those arrangements constitute a continuing connected transaction of our Bank which will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS

The Board of Directors of our Bank comprises 15 Directors, including three executive Directors, seven non-executive Directors and five independent non-executive Directors. In accordance with the Articles of Association of our Bank, the Directors are elected for a term of three years and can be re-elected upon expiration of the term of office. The cumulative term of an independent non-executive Director shall not exceed six years. The following table sets forth certain information of the Directors of our Bank.

Name	Age	Date of Joining our Bank	Date of Appointment as a Director	Position	Responsibilities
Mr. Wang Jikang (王繼康)	55	May 2005	December 2009	Chairman, Executive Director	Being responsible for the overall work and operation strategy of our Bank and making major decisions on its business, being in charge of Party Committee, the Board of Directors and Strategic Planning Department, and performing the duties as a Director through the Board of Directors and Strategy and Investment Committee (Sannong Committee)
Mr. Yi Xuefei (易雪飛)	49	March 2006	May 2014	Vice chairman, President, Executive Director	Being responsible for the operational management of our Bank, being in charge of Internal Audit Department and Compliance and Legal Affairs Department, and performing the duties as a Director through the Board of Directors and Strategy and Investment Committee (Sannong Committee)
Mr. Wu Huiqiang (吳慧強)	52	November 2008	May 2014	Vice president, Executive Director	Being responsible for the coordination of the corporate and interbank finance segment, being in charge of Corporate Finance Department and Business Unit of the Head Office, assisting with the management of Strategic Planning Department and performing the duties as a Director through the Board of Directors and Related Party Transactions and Risk Management Committee
Mr. Su Zhigang (蘇志剛)	58	December 2009	December 2009	Non-executive Director	Being involved in making major decisions on strategic development and operational management for our Bank and performing the duties as a Director through the Board of Directors and Strategy and Investment Committee (Sannong Committee)
Mr. Shao Jianming (邵建明)	54	October 2006	December 2009	Non-executive Director	Being involved in making major decisions on strategic development and operational management for our Bank and performing the duties as a Director through the Board of Directors, Strategy and Investment Committee (Sannong Committee) and Related Party Transactions and Risk Management Committee

Name	Age	Date of Joining our Bank	Date of Appointment as a Director	Position	Responsibilities
Mr. Li Fangjin (李舫金)	55	May 2014	May 2014	Non-executive Director	Being involved in making major decisions on strategic development and operational management for our Bank and performing the duties as a Director through the Board of Directors, Related Party Transactions and Risk Management Committee and Audit Committee
Mr. Zheng Shuping (鄭暑平)	52	December 2009	December 2009	Non-executive Director	Being involved in making major decisions on strategic development and operational management for our Bank and performing the duties as a Director through the Board of Directors and Strategy and Investment Committee (Sannong Committee)
Mr. Zhu Kelin (朱克林)	54	December 2009	December 2009	Non-executive Director	Being involved in making major decisions on strategic development and operational management for our Bank and performing the duties as a Director through the Board of Directors, Related Party Transactions and Risk Management Committee and Audit Committee
Mr. Zhang Yongming (張永明)	45	May 2014	May 2014	Non-executive Director	Being involved in making major decisions on strategic development and operational management for our Bank and performing the duties as a Director through the Board of Directors, Strategy and Investment Committee (Sannong Committee) and Nomination and Remuneration Committee
Mr. Liu Guojie (劉國杰)	46	September 2016	September 2016	Non-executive Director[1]	Being involved in making major decisions on strategic development and operational management for our Bank and performing the duties as a Director through the Board of Directors and Related Party Transactions and Risk Management Committee
Mr. Song Guanghui (宋光輝)	56	May 2014	May 2014	Independent non-executive Director	Being involved in making major decisions on strategic development and operational management for our Bank and performing the duties as a Director through the Board of Directors, Strategy and Investment Committee (Sannong Committee), Related Party Transactions and Risk Management Committee and Nomination and Remuneration Committee
Mr. Liu Heng (劉恒)	53	May 2014	May 2014	Independent non-executive Director	Being involved in making major decisions on strategic development and operational management for our Bank and performing the duties as a Director through the Board of Directors, Strategy and Investment Committee (Sannong Committee), Related Party Transactions and Risk Management Committee and Audit Committee

Name	Age	Date of Joining our Bank	Date of Appointment as a Director	Position	Responsibilities
Mr. Liu Shaobo (劉少波)	56	May 2014	May 2014	Independent non-executive Director	Being involved in making major decisions on strategic development and operational management for our Bank and performing the duties as a Director through the Board of Directors, Strategy and Investment Committee (Sannong Committee) and Nomination and Remuneration Committee
Mr. Zheng Jianbiao (鄭建彪)	53	May 2014	May 2014	Independent non-executive Director	Being involved in making major decisions on strategic development and operational management for our Bank and performing the duties as a Director through the Board of Directors, Strategy and Investment Committee (Sannong Committee), Nomination and Remuneration Committee and Audit Committee
Mr. Yung Hin Man Raymond (容顯文)	57	September 2016	September 2016	Independent non-executive Director[1]	Being involved in making major decisions on strategic development and operational management for our Bank and performing the duties as a Director through the Board of Directors, Strategy and Investment Committee (Sannong Committee), Nomination and Remuneration Committee and Audit Committee

Note:

1. The qualification of directorship is subject to approval by CBRC Guangdong Office.

EXECUTIVE DIRECTORS

Mr. Wang Jikang, aged 55, was appointed as an executive Director of our Bank in December 2009 and appointed as chairman of our Bank in July 2013. He is mainly responsible for the overall work and operation strategy of our Bank and makes major decisions on the business, and is also in charge of Party Committee, the Board of Directors and Strategic Planning Department. Mr. Wang has also served as chairman of our subsidiary Zhujiang Financial Leasing Co., Ltd. (珠江金融租賃有限公司) since December 2014.

Mr. Wang has over 20 years of experience in banking business operation and management. He joined our Bank in May 2005 and had served as vice president and director of Guangzhou Rural Credit Cooperative Union (廣州市農村信用合作社聯合社) from May 2005 to October 2006, vice president and director of Guangzhou Rural Credit Cooperative (廣州市農村信用合作聯社) from October 2006 to December 2009 and vice chairman and president of our Bank from December 2009 to July 2013. Prior to that, he had successively served as assistant to president and vice president of Guangzhou Commercial Bank Co., Ltd. (廣州市商業銀行股份有限公司) (currently known as Bank of Guangzhou Co., Ltd. (廣州銀行股份有限公司)) from October 2001 to April 2005, in charge of the operation and management of the department under his supervision and principal staff member of bank management department and deputy chief of bank regulation department of operational management division of PBoC Guangzhou Branch from November 1997 to October 2001, being mainly responsible for the regulation of joint-stock commercial banks, policy banks and the postal savings bureau.

Mr. Wang graduated from Sun Yat-sen University (中山大學) (Guangdong, China) in December 1998, majoring in business administration, and obtained a doctor's degree in management. He obtained the qualification of senior economist accredited by Economic and Financial Professional Technical Position Evaluation Committee of PBoC (中國人民銀行經濟金融專業技術職務評審委員會) in December 2001. He obtained the title of "2015 Guangzhou Financial Senior Management Talent (2015年廣州市金融高級管理人才)" awarded by Guangzhou Senior Financial Talent Evaluation Leading Team Office (廣州市高層次金融人才評定工作領導小組辦公室) in November 2015, "First Prize in Business Flow Optimization and Reorganization of Commercial Banks Tellers (商業銀行櫃面業務流程優化與再造一等獎)" and "Second Prize in Management Accounting System with the Core of Full-cost and Multi-dimensional Profit Accounting for Small and Medium Banks (中小銀行全成本多維度盈利核算為核心的管理會計體系二等獎)" of the 24th Guangdong Enterprise Management Modernization Innovation Achievements (第二十四屆廣東省企業管理現代化創新成果) awarded by Guangdong Enterprise Management Modernization Achievement Evaluation Committee (廣東省企業管理現代化成果評審委員會) in November 2014, the title of "2013 Guangzhou Tianhe District Leading Talent of Innovation (2013年廣州市天河區創新領軍人才)" awarded by Organization Department of Guangzhou Tianhe District Party Committee of the Communist Party of China (中共廣州市天河區委組織部) in January 2014, the title of "2010 (the Seventh) Guangdong Top Ten Influential Individuals in Economy (2010年(第七屆)廣東十大經濟風雲人物)" in the selection of Guangdong top ten outstanding business individuals jointly organized by Yangcheng Evening News Group, Southern Media Corporation, Yangcheng Evening News and Guangdong Television Station in January 2011 and the title of "Guangzhou Distinguished Expert (廣州市優秀專家)" awarded by Guangzhou Municipal Party Committee of the Communist Party of China (中共廣州市委) and Guangzhou Municipal People's Government in June 2008. In addition, Mr. Wang had served as a member of the 14th Congress of Guangzhou Municipal People's Congress (廣州市第十四屆人民代表大會) and now serves as president of Guangzhou Finance Association (廣州金融業協會) and vice president of Guangdong Economic Institute (廣東經濟學會).

Mr. Yi Xuefei, aged 49, was appointed as vice chairman and an executive Director of our Bank in May 2014 and appointed as president of our Bank in July 2013. He is mainly responsible for the operational management of our Bank and is in charge of Internal Audit Department and Compliance and Legal Affairs Department.

Mr. Yi has over 20 years of experience in banking business operation and management. He joined our Bank in March 2006 and had served as deputy director of Guangzhou Rural Credit Cooperative Union from March 2006 to October 2006, deputy director of Guangzhou Rural Credit Cooperative from October 2006 to December 2009 and vice president of our Bank from December 2009 to July 2013. Prior to that, he had successively held a number of positions in China Construction Bank Corporation (中國建設銀行股份有限公司) from March 1996 to March 2006, including deputy principal staff member, deputy section chief, assistant to director and deputy director of general office and deputy chief of funds and finance department of Guangzhou Branch from March 1996 to January 2000, vice president of Foshan Branch from January 2000 to December 2001, vice president of Dongguan Branch from December 2001 to April 2002, deputy general manager and general manager of financial planning department of Guangdong Branch from April 2002 to July 2005, being mainly responsible for plan assessment and financial management, and president of Shantou Branch from July 2005 to March 2006, being mainly responsible for the overall operation and management of Shantou Branch.

Mr. Yi graduated from Jiangxi University of Finance and Economics (江西財經大學) (Jiangxi, China) in July 1993, majoring in commerce and economy, and obtained a master's degree in economics. He graduated from Sun Yat-sen University in December 2010, majoring in executive business administration, and obtained a master's degree in executive business administration. He obtained the qualification of intermediate economist accredited by Guangzhou Branch of China Construction Bank Corporation in July 1996. In addition, Mr. Yi obtained the title of "2015 Guangzhou Financial Senior Management Talent" awarded by Guangzhou Senior Financial Talent Evaluation Leading Team Office in November 2015, "First Prize in Business Flow Optimization and Reorganization of Commercial Banks Tellers" and "Second Prize in Management Accounting System with the Core of Full-cost and Multi-dimensional Profit Accounting for Small and Medium Banks" of the 24^{th} Guangdong Enterprise Management Modernization Innovation Achievements awarded by Guangdong Enterprise Management Modernization Achievement Evaluation Committee in November 2014 and the title of "2013 Guangzhou Tianhe District Outstanding Talent (2013年廣州市天河區傑出人才)" awarded by Organization Department of Guangzhou Tianhe District Party Committee of the Communist Party of China in January 2014.

Mr. Wu Huiqiang, aged 52, was appointed as an executive Director of our Bank in May 2014 and appointed as vice president of our Bank in December 2009. He is mainly responsible for the coordination of the corporate and interbank finance segment and is in charge of Corporate Finance Department and Business Unit of the Head Office and assists with the management of Strategic Planning Department.

Mr. Wu has approximately 20 years of experience in banking business operation and management. He joined our Bank in November 2008 and had served as deputy director of Guangzhou Rural Credit Cooperative from November 2008 to December 2009. Prior to joining our Bank, Mr. Wu had served as deputy general manager of Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司) from June 2005 to November 2008, being mainly responsible for the management of general office, investment and security departments. Prior to that, he had successively held a number of positions in Guangzhou Commercial Bank Co., Ltd. from March 1998 to June 2005, including chief of human resources department and director of board office from March 1998 to February 1999, being mainly responsible for the overall work of human resources and board office, director of general office, director of board office and secretary to board of directors from March 1999 to July 2002, being mainly responsible for the daily work of general office and board office, vice president (person-in-charge) and president of Tianhe Sub-branch of Guangzhou Commercial Bank Co., Ltd. from July 2002 to February 2004, being mainly responsible for the overall work of sub-branch, as well as assistant to president and principal of finance college from February 2004 to June 2005, being mainly responsible for the work of security and non-performing assets.

Mr. Wu graduated from Hubei Institute of Finance and Economics (湖北財經學院) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) (Hubei, China) in July 1985, majoring in infrastructure finance and credit, and obtained a bachelor's degree in economics. He graduated from Zhongnan University of Finance and Economics (中南財經大學) (currently known as Zhongnan University of Economics and Law) (Hubei, China) in July 1988, majoring in infrastructure economics, and obtained a master's degree in economics. He graduated from Jinan University (暨南大學) (Guangdong, China) in January 2006, majoring in finance, and obtained a doctor's degree in economics. He obtained the qualification of senior economist accredited by Guangdong Provincial Human Resources Department (廣東省人事廳) in December 1998. In addition, Mr. Wu obtained the title of "2013 Guangzhou Tianhe District Distinguished Talent (2013年廣州市天河區優秀人才)" awarded by Organization Department of Guangzhou Tianhe District Party Committee of the Communist Party of China in January 2014.

NON-EXECUTIVE DIRECTORS

Mr. Su Zhigang, aged 58, was appointed as a non-executive Director of our Bank in December 2009.

Mr. Su founded Guangdong Chimelong Group Co., Ltd. (廣東長隆集團有限公司) in April 2000 and has served as chairman since its establishment. The scope of business of Guangdong Chimelong Group Co., Ltd. is project planning and investment and business operation and management. Mr. Su has successively established Xiangjiang Seafood Restaurant (香江海鮮酒家), Panyu Xiangjiang Hotel (番禺香江大酒店), Guangzhou Chimelong Safari Park (廣州長隆野生動物世界), Guangzhou Chimelong Hotel (廣州長隆酒店), Zhuhai Hengqin Chimelong Ocean Kingdom (珠海橫琴長隆海洋王國), Chimelong Hengqin Bay Hotel (長隆橫琴灣酒店) and Chimelong Circus Hotel (長隆馬戲酒店) since August 1989, providing theme park, hotel, business exhibition, catering, leisure entertainment and other services.

Mr. Su obtained the award of "2016 Circus Art Ambassador (2016馬戲藝術大使獎)" from World Circus Union (世界馬戲聯合會) in January 2016, "2015 Top Ten News-making Individuals in Chinese Tourism (2015年中國旅遊十大新聞人物)" elected by China Tourism Association (中國旅遊協會) in December 2015, "Outstanding Contribution Award in Chinese Tourism – Fei Ma Award (中國旅遊產業傑出貢獻獎飛馬獎)" awarded by China National Tourism Administration (國家旅遊局) in May 2015, the title of "Heart-touching Individual in Guangdong within 30 Years after Reform and Opening-up (改革開放三十週年感動廣東人物)" awarded by Propaganda Department of Guangdong Provincial Committee of the Communist Party of China (中共廣東省委宣傳部) in October 2008 and the title of "Guangdong Top Ten Influential Individuals in Economy (廣東十大經濟風雲人物)" jointly awarded by Guangdong Provincial Development and Reform Commission (廣東省發展和改革委員會) and Guangdong Federation of Industry and Commerce (廣東省工商業聯合會) in January 2008. In addition, Mr. Su now serves as a member of the 12th Session of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆全國委員會), vice chairman of All-China Federation of Industry and Commerce (中華全國工商業聯合會) and vice chairman of Guangdong Federation of Industry and Commerce (廣東省工商業聯合會). He had also served as a member of the 9th and the 10th Congress of National People's Congress (第九屆和第十屆全國人民代表大會), vice chairman of the 11th Session of Chinese People's Political Consultative Conference Guangzhou Committee (中國人民政治協商會議第十一屆廣州市委員會) and president of the 12th and the 13th Session of Guangzhou Federation of Industry and Commerce Executive Committee (廣州市工商業聯合會第十二屆和第十三屆執行委員會). Mr. Su received junior middle school education.

Mr. Shao Jianming, aged 54, was appointed as a non-executive Director of our Bank in December 2009. He joined our Bank in October 2006 and had served as council member of Guangzhou Rural Credit Cooperative.

Mr. Shao has served as chairman of Guangzhou Yuexiu Highsun Small-loan Co., Ltd. (廣州市越秀海印小額貸款股份有限公司) ("**Highsun Small-loan**"), the business scope of which includes provision of small loans, financial consultancy to medium, small and micro enterprises and business consultancy and investment consultancy, since May 2009, chairman of Guangdong Highsun Group Co., Ltd. (廣東海印集團股份有限公司) (formerly known as Maoming Yongye (Group) Co., Ltd. (茂名永業（集團）股份有限公司)) (listed on Shenzhen Stock Exchange, stock code: 000861) since August 2003 and chairman of Guangzhou Highsun Enterprises Group Corp. (廣州海印實業集團有限公司) since April 1996. Prior to that, he had served as manager of Highsun Wool Fabric Mall (海印毛線布料商場) and deputy manager of Guanlv Fashion Company (觀綠時裝公司) from October 1988 to March 1991.

Mr. Shao holds 65% interest in Guangzhou Highsun Enterprises Group Corp., which further holds 22.5% interest in Highsun Small-loan. The registered capital of Highsun Small-loan is RMB200 million. Its business is mainly to provide small loans to small and medium enterprise customers within Yuexiu District of Guangzhou. As of December 31, 2016, the registered capital of the Bank was RMB8,153,418,539. In addition to Yuexiu District, our Bank has established outlets in all the districts in Guangzhou and established non-local branches, sub-branches and county banks in regions outside Guangzhou. In addition to the provision of small loans to small and medium enterprise customers, our Bank has developed diversified fee- and commission-based business products and systems and provides comprehensive financial products and services to various customers (including corporate, retail and financial institution customers).

Therefore, the potential competition between our Bank and Highsun Small-loan is minimal in terms of operational scale, operational region and business coverage. In addition, Mr. Shao is non-executive Director of our Bank and does not participate in our daily management. We have a small loan business management team independent of Highsun Small-loan. Pursuant to aforementioned factors, our Bank and our Directors are of the view that the business operation of our Bank will not be affected by the fact that Mr. Shao concurrently serves as non-executive Director of our Bank and chairman and substantial shareholder of Highsun Small-loan. In accordance with the Articles of Association, if a Director or any of his/her close associates is materially interested in any matters to be considered at the Board meeting, such Director shall abstain from voting and shall not vote on behalf of other Directors with regard to the relevant resolutions at the Board meeting.

Mr. Shao graduated from Hong Kong Baptist University (Hong Kong) in December 2001, majoring in business administration, and obtained a master's degree in business administration. He graduated from Grenoble School of Management (France) in August 2015, majoring in business administration, and obtained a doctor's degree in business administration. Mr. Shao obtained "National May 1st Labor Medal (全國五一勞動獎章)" awarded by All-China Federation of Trade Unions (中華全國總工會) in April 2016. He was elected as "Top 10 Outstanding Individuals in the 2nd Global Cantonese Campaign (第二屆世界廣府人「十大傑出人物」)" by Global Cantonese Association (廣府人聯誼總會) in December 2015 and "2014 Top 10 Outstanding Individuals in Chinese Culture Management (2014中國文化管理十大年度人物)" by China Culture Administration Association (中國文化管理協會) in May 2015. In addition, Mr. Shao now serves as a member of the 12th Congress of Guangdong Provincial People's Congress (廣東省第十二屆人民代表大會), a member of the Standing Committee of the 14th Congress of Guangzhou Municipal People's Congress (廣州市第十四屆人民代表大會常務委員會), vice chairman of the 14th Session of Chinese People's Political Consultative Conference Guangzhou Yuexiu District Committee (中國人民政治協商會議第十四屆廣州市越秀區委員會), vice chairman of Guangzhou Federation of Industry and Commerce and president of Guangdong Chamber of Private Enterprise (廣東民營企業商會).

Mr. Li Fangjin, aged 55, was appointed as a non-executive Director of our Bank in May 2014.

Mr. Li has served as chairman of Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司) since March 2016, chairman of Guangzhou Finance Holdings Huadu Financial Investment Co., Ltd. (廣州金控花都金融投資有限公司) since December 2015, chairman of Guangjin Zhongying (Sanming) Fund Investment Co., Ltd. (廣金中盈(三明)基金投資有限公司) since September 2015, chairman of Guangzhou Finance Holdings Capital Management Co., Ltd. (廣州金控資本管理有限公司) since March 2015, independent non-executive director of Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司) (listed on Shanghai Stock Exchange, stock code: 601238; listed on Hong Kong Stock Exchange, stock code: 2238) since December 2013, chairman of Legend Financial Leasing Co., Ltd. (立根融資租賃有限公司) ("**Legend Financial**"), the business scope of which includes maintenance and disposal of the residual value of underlying assets, purchase of underlying assets and provision of financial leasing services, since June 2013 and chairman of Wanlian Securities Co., Ltd. (萬聯證券股份有限公司) since November 2004. Prior to that, he had served as chairman of Guangzhou Legend Reloan Co., Ltd. (廣州立根小額再貸款股份有限公司) from September 2013 to September 2016, chairman of Guangzhou Equity Exchange (廣州股權交易中心) from August 2012 to June 2015, director, deputy general manager, general manager of Guangzhou Finance Holdings Group Co., Ltd. successively from September 2007 to March 2016, vice chairman of Bank of Guangzhou Co., Ltd. from September 2005 to July 2016, president and chairman of Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司) from September 2004 to December 2014 and head of international department of CSRC Guangdong Office from July 1997 to April 2000.

Mr. Li has served as chairman of Legend Financial. In terms of operational scale, the registered capital of Legend Financial is RMB1.3 billion and the registered capital of Legend Financial Leasing (Shanghai) Co., Ltd. (立根融資租賃（上海）有限公司) ("**Legend Financial Shanghai**"), being a subsidiary of Legend Financial, is RMB1.175 billion. The business scope of Legend Financial Shanghai includes provision of financial leasing services, leasing business, purchase of underlying assets, maintenance and disposal of the residual value of underlying assets, consultancy and guarantee of leasing transactions and factoring business. In terms of business coverage and business nature, although Legend Financial, Legend Financial Shanghai and our subsidiary, Zhujiang Financial Leasing Co., Ltd., all provide financial leasing services to their clients, the governmental authorities which are responsible for their approval and regulation, as well as their legal nature, are different. Legend Financial and Legend Financial Shanghai are non-financial institutions which are subject to advance approval and regulation of Ministry of Commerce of the PRC, while our subsidiary, Zhujiang Financial Leasing Co., Ltd., is a non-bank financial institution which is subject to approval and regulation of CBRC. Further, the financial leasing market in China has become a sizable and diverse market. As at the end of 2016, there are approximately 7,120 enterprises providing financial leasing services in the PRC, with a total outstanding balance of approximately RMB5,330,000 million. Based on the information from the PRC Ministry of Commerce, as of the end of 2015, the total registered capital of financial leasing companies in the PRC amounted to RMB1,464.51 billion. On the other hand, the current registered share capital of Zhujiang Financial Leasing Co, Ltd was RMB1,000 million and as of December 31, 2016, the total assets of Zhujiang Financial Leasing Co, Ltd. amounted to RMB12,380 million. Apart from providing financial leasing services through our subsidiary, Zhujiang Financial Leasing Co., Ltd., our Bank has also developed diversified fee- and commission-based business products and systems and provides comprehensive financial products and services to various customers (including corporate, retail and financial institution customers). In the year ended December 31, 2016, Zhujiang Financial Leasing Co., Ltd. recorded an operating income of RMB436 million, representing only 2.9% of the operating income of our Bank for the same period.

Therefore, the potential competition between our Bank, Legend Financial and Legend Financial Shanghai is minimal in terms of operational scale, business coverage and business nature. Mr. Li is non-executive Director of our Bank and does not participate in our daily management. We have a financial leasing business management team independent of Legend Financial and Legend Financial Shanghai. In addition, Mr. Li does not hold any interest in Legend Financial. Pursuant to aforementioned factors, our Bank and our Directors are of the view that the business operation of our Bank will not be affected by the fact that Mr. Li concurrently serves as non-executive Director of our

Bank and chairman of Legend Financial. In accordance with the Articles of Association, if a Director or any of his/her close associates is materially interested in any matters to be considered at the Board meeting, such Director shall abstain from voting and shall not vote on behalf of other Directors with regard to the relevant resolutions at the Board meeting.

Mr. Li graduated from South China Normal University (華南師範大學) (Guangdong, China) in July 1987, majoring in English, and obtained a bachelor's degree in arts. He graduated from Capital University of Economics and Business (首都經濟貿易大學) (Beijing, China) in January 2003, majoring in finance, and obtained a master's degree in economics. In addition, Mr. Li obtained the qualification of senior management of securities company accredited by CSRC in September 2005.

Mr. Zheng Shuping, aged 52, was appointed as a non-executive Director of our Bank in December 2009.

Mr. Zheng has served as deputy general manager, general manager and vice chairman of Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司) since February 2004 and its chairman since July 2006, deputy general manager, general manager and director of Guangzhou Pearl River Industrial Development Co., Ltd. (廣州珠江實業開發股份有限公司) (listed on Shanghai Stock Exchange, stock code: 600684) since June 1998 and its chairman since June 2003. Prior to that, he had served as director and deputy general manager of Hainan Pearl River Enterprises Holdings Co., Ltd. (海南珠江實業股份有限公司), director of Hainan Branch of Guangzhou Pearl River Foreign Investment Architectural Designing Institute (廣州珠江外資建築設計院海南分院) and general manager of Hainan Pearl River Supervision Company (海南珠江監理公司) (currently known as Hainan Zhujiang Project Surveillance Co., Ltd. (海南珠江工程監理有限公司)) from July 1995 to June 1998.

Mr. Zheng graduated from South China University of Technology (華南理工大學) (Guangdong, China) in July 1986, majoring in architecture, and obtained a bachelor's degree in engineering. He graduated from Hong Kong Baptist University in December 2003, majoring in business administration, and obtained a master's degree in business administration. He graduated from Sun Yat-sen University in December 2010, majoring in executive business administration, and obtained a master's degree in executive business administration. In addition, Mr. Zheng obtained the title of "2015 Yuexiu District Senior Talent for Key Enterprises (2015越秀區重點企業高級人才)" awarded by People's Government of Guangzhou Yuexiu District (廣州市越秀區人民政府) in February 2016 and the title of "Outstanding Innovative Entrepreneur of Guangdong Province (廣東省推動自主創新傑出企業家)" awarded by Guangdong Provincial Enterprise Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會) in November 2013. In addition, Mr. Zheng now serves as executive vice president of Guangdong Real Estate Association (廣東省房地產行業協會).

Mr. Zhu Kelin, aged 54, was appointed as a non-executive Director of our Bank in December 2009.

Mr. Zhu has served as director of Guangdong Pearl River Investment Management Group Co., Ltd. (廣東珠江投資管理集團有限公司) since January 2013, vice chairman and non-executive director of Shanghai Electric Group Company Limited (上海電氣集團股份有限公司) (listed on Shanghai Stock Exchange, stock code: 601727; listed on Hong Kong Stock Exchange, stock code: 2727) since March 2004, and director and chairman of Guangdong Pearl River Investment Co., Ltd. (廣東珠江投資股份有限公司) since June 1999. Prior to that, he had served as director of Pearl River Life Insurance Co., Ltd. (珠江人壽保險股份有限公司) from January 2013 to August 2016, director of Guangdong Pearl River Financial Investment Co., Ltd. (廣東珠江金融投資有限公司) from October 2009 to

June 2015, vice chairman of Guangdong Zhujiang Investment Holdings Group Co., Ltd (廣東珠江投資控股集團有限公司) from February 2008 to July 2011 and chairman and general manager of Fengchi Investment Co., Ltd. (豐馳投資有限公司) successively from May 2007 to May 2015.

Mr. Zhu graduated from Western Sydney University (Australia) in August 2002, majoring in business administration, and obtained a master's degree in business administration.

Mr. Zhang Yongming, aged 45, was appointed as a non-executive Director of our Bank in May 2014.

Mr. Zhang has served as vice chairman and general manager of Aotecar New Energy Technology Co., Ltd (奧特佳新能源科技股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 002239) from November 2015 to June 2016 and its chairman since June 2016, chairman of Nanjing Aotecar Refrigerator Co., Ltd. (南京奧特佳冷機有限公司) (currently known as Nanjing Aotecar New Energy Technology Co., Ltd. (南京奧特佳新能源科技有限公司)) and executive director of Nanjing Aotecar Xiangyun Refrigerator Co., Ltd. (南京奧特佳祥雲冷機有限公司) since March 2013, respectively. He has served as executive director of Tibet Tianyou Investment Co., Ltd. (西藏天佑投資有限公司), Tibet Xinyu Investment Co., Ltd. (西藏鑫玉投資有限公司) and Tibet Aotecar Investment Co., Ltd. (西藏奧特佳投資有限公司) since December 2015, respectively, chairman of YSY (Shanghai) Pharmaceutical Co., Ltd. (上海益生源藥業有限公司) from November 2015 to October 2016 and its director since October 2016, executive director of Jiangsu Tianyou Jin'gan Investment Co., Ltd. (江蘇天佑金淦投資有限公司) since January 2013, executive director of Beijing Tianyou Innovative Investment Co., Ltd. (北京天佑創新投資有限公司) since December 2012, executive director of Guangzhou Tianfu Investment Co., Ltd. (廣州天富投資有限公司) (currently known as Guangdong Yongming New Energy Technology Co., Ltd. (廣東永明新能源技術有限公司)) since November 2012, chairman of Beijing Tianyou Investment Co., Ltd. (北京天佑投資有限公司) since March 2011, executive delegate of Beijing Century Tianfu Venture Capital Investment Center (Limited Partnership) (北京世紀天富創業投資中心(有限合夥)) since May 2010, chairman of Wuhan Shiji Jinyuan Pawn Co., Ltd. (武漢世紀金源典當有限公司) since May 2009 and executive director and general manager of Beijing Changjiang Xingye Assets Management Co., Ltd. (北京長江興業資產管理有限公司) since March 2008. Prior to that, he had served as director of WOWO LIMITED (listed on NASDAQ, stock code: JMU) from July 2014 to September 2015 and director of Changshu Automotive Trim Co., Ltd. (常熟市汽車飾件股份有限公司) from November 2012 to April 2016.

Mr. Zhang graduated from China Europe International Business School (中歐國際工商學院) (Shanghai, China) in September 2005, majoring in executive business administration, and obtained a master's degree in business administration.

Mr. Liu Guojie, aged 46, was appointed as a non-executive Director of our Bank in September 2016.

Mr. Liu has served as chairman and president of Guangzhou Haojin Group Co., Ltd. (廣州豪進集團有限公司) since March 2002, chairman and president of Guangzhou Haojin Motorcycle Co., Ltd. (廣州豪進摩托車股份有限公司) since June 1999 and chairman of Guangzhou Zengcheng Xinyue Finance Co., Ltd. (廣州市增城新粵小額貸款有限公司) ("**Xinyue Finance**") since January 2010. Prior to that, he had served as chairman and general manager of Zengcheng Haojin Trading Co., Ltd. (增城豪進貿易有限公司) from August 1995 to May 1999.

Mr. Liu holds 90% interest in Guangzhou Haojin Group Co., Ltd., which further holds 30% interest in Xinyue Finance. The registered capital of Xinyue Finance is RMB100 million. Its business is limited to the provision of small loans to Sannong customers within Zengcheng District of Guangzhou. As of December 31, 2016, the registered capital of our Bank was RMB8,153,418,539. In addition to Zengcheng District, our Bank has established outlets in all the districts in Guangzhou and established non-local branches, sub-branches and county banks in regions outside Guangzhou. In addition to the provision of small loans to Sannong customers, our Bank has developed diversified fee- and commission-based business products and provides comprehensive financial products and services to various customers (including corporate, retail and financial institution customers).

Therefore, the potential competition between our Bank and Xinyue Finance is minimal in terms of operational scale, operational region and business coverage. In addition, Mr. Liu is non-executive Director of our Bank and does not participate in our daily management. We have a small loan business management team independent of Xinyue Finance. Pursuant to aforementioned factors, our Bank and our Directors are of the view that the business operation of our Bank will not be affected by the fact that Mr. Liu concurrently serves as non-executive Director of our Bank and chairman and substantial shareholder of Xinyue Finance. In accordance with the Articles of Association, if a Director or any of his/her close associates is materially interested in any matters to be considered at the Board meeting, such Director shall abstain from voting and shall not vote on behalf of other Directors with regard to the relevant resolutions at the Board meeting. In addition, Mr. Liu indirectly holds 8% interest in Guangzhou Zengcheng Changjiang County Bank Company Limited (廣州增城長江村鎮銀行有限責任公司) through Guangzhou Haojin Group Co., Ltd. and he has not held any position in Guangzhou Zengcheng Changjiang County Bank Company Limited. Guangzhou Zengcheng Changjiang County Bank Company Limited is a county bank providing monetary banking services.

Mr. Liu graduated from Guangdong Academy of Social Sciences (廣東省社會科學院) (Guangdong, China) at postgraduate's level in July 2002, majoring in economic management. He obtained the title of "Distinguished Entrepreneur of Private Enterprises in Guangzhou (廣州市優秀民營企業家)" awarded by People's Government of Guangzhou Municipality in October 2006. In addition, Mr. Liu now serves as a member of the 14th Congress of Guangzhou Municipal People's Congress.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Song Guanghui, aged 56, was appointed as an independent non-executive Director of our Bank in May 2014.

Mr. Song has successively served as associate professor, professor and doctoral tutor in School of Business Administration of South China University of Technology since November 1996, being mainly engaged in teaching of the studies of investment, merger and acquisition and asset management. Prior to that, he had successively served as director of office of management headquarters and general manager of research and development department of China Southern Securities Co., Ltd. (Guangzhou Branch) (南方證券有限公司廣州分公司) from June 2000 to April 2002 and teaching assistant, deputy director of International Economic Department, associate professor and acting director of foreign affairs office and international culture exchange and education center in Henan School of Economics and Finance (河南財經學院) (currently known as Henan University of Economics and Law (河南財經政法大學)) from December 1988 to October 1996.

Mr. Song graduated from Renmin University of China (中國人民大學) (Beijing, China) in July 1983, majoring in statistics, and obtained a bachelor's degree in economics. He graduated from Renmin University of China in July 1989, majoring in statistics, and obtained a master's degree in economics in October 1989. He graduated from Renmin University of China in July 1998, majoring in statistics, and obtained a doctor's degree in economics.

Mr. Liu Heng, aged 53, was appointed as an independent non-executive Director of our Bank in May 2014.

Mr. Liu has served as professor of Law School of Sun Yat-sen University since September 1997, director of Institute of Administrative Law since April 2000 and doctoral tutor since June 2003, being mainly engaged in teaching and research. He has successively held a number of positions in Sun Yat-sen University since June 1988, including teaching assistant, lecturer and associate professor of Law School from June 1988 to August 1997, deputy dean of Department of Law from April 1996 to January 2000, dean of Law School from February 2004 to October 2008 and deputy dean of Graduate School from October 2008 to September 2010. In addition, Mr. Liu has served as independent director of By-Health Co., Ltd. (湯臣倍健股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 300146) since September 2014, independent non-executive director of Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (廣東中盈盛達融資擔保投資股份有限公司) (listed on Hong Kong Stock Exchange, stock code: 1543) since June 2014, independent director of Dongguan Securities Co., Ltd. (東莞證券股份有限公司) since August 2010, independent director of Guangdong Kaiping Chunhui Co., Ltd. (廣東開平春暉股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 000976) from September 2008 to September 2014, independent director of Guangzhou Pharmaceutical Group Co., Ltd. (廣藥集團有限公司) since April 2007, independent director of Shenzhen Yantian Port Holdings Co., Ltd. (深圳鹽田港股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 000088) from September 2003 to September 2007, independent director of Guangdong Fenghua Advanced Technology (Holding) Co., Ltd. (廣東風華高新科技股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 000636) from October 2003 to July 2010 and independent director of Dongguan Development (Holdings) Co., Ltd. (東莞發展控股股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 000828) from October 2002 to June 2008.

Mr. Liu graduated from Zhongnan Institute of Politics and Law (中南政法學院) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) (Hubei, China) in July 1985, majoring in law, and obtained a bachelor's degree in law. He graduated from Zhongnan College of Political Science and Law in July 1988 and obtained a master's degree in law. He graduated from Sun Yat-sen University in June 1998, majoring in enterprise management, and obtained a doctor's degree in economics. He undertook his post-doctoral research work in legal studies in Wuhan University (武漢大學) (Hubei, China) from September 1998 to January 2001. In addition, Mr. Liu passed the National Lawyer Qualification Examination of the PRC and obtained the qualification of lawyer (part-time) accredited by Department of Justice of Guangdong Province (廣東省司法廳) in December 1988.

Mr. Liu Shaobo, aged 56, was appointed as an independent non-executive Director of our Bank in May 2014.

Mr. Liu has served as professor and doctoral tutor of Department of Finance of School of Economics of Jinan University since December 1995, being engaged in teaching and research of capital market and corporate finance for a long term. He has held a number of positions in Jinan University since June 1986, including lecturer in Department of Economics. In addition, Mr. Liu had served as independent director of Dongguan Development (Holdings) Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 000828) from April 2015 to January 2016, independent director of Guangzhou Donlinks Grain & Oil Co., Ltd. (廣州東凌糧油股份有限公司) (currently known as Donlinks International Investment Co., Ltd. (廣州東凌國際投資股份有限公司), listed on Shenzhen Stock Exchange, stock code: 000893) from April 2014 to December 2015, independent director of Guangzhou Development Group Incorporated (廣州發展集團股份有限公司) (listed on Shanghai Stock Exchange, stock code: 600098) from May 2011 to December 2015, independent director of Guangzhou Canudilo Fashion and Accessories Co., Ltd. (廣州卡奴迪路服飾股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 002656) from December 2008 to December 2014 and independent non-executive director in Guangdong Yueyun Transportation Company Limited (廣東粵運交通股份有限公司) (listed on Hong Kong Stock Exchange, stock code: 3399) from June 2004 to June 2016.

Mr. Liu graduated from Jinan University in July 1986, majoring in political economics, and obtained a master's degree in economics. He graduated from Sun Yat-sen University in June 2006, majoring in enterprise management, and obtained a doctor's degree in management.

Mr. Zheng Jianbiao, aged 53, was appointed as an independent non-executive Director of our Bank in May 2014.

Mr. Zheng has served as partner and member of Partner Management Committee of Grant Thornton China (致同會計師事務所) since September 1998, being mainly responsible for work of auditing, taxation and consultancy. Prior to that, he had worked in Beijing Jingdu Public Accounting Firm (北京京都會計師事務所) and had served as deputy director from April 1994 to September 1998. In addition, Mr. Zheng has served as independent director of Beijing Oriental Jicheng Co., Ltd. (北京東方中科集成科技股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 002819) since July 2015, independent director of Maoming Petro-Chemical Shihua Co., Ltd. (茂名石化實華股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 000637) from May 2014 to September 2016, independent director of Shandong Wohua Pharmaceutical Co., Ltd. (山東沃華醫藥科技股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 002107) from April 2012 to January 2016 and independent director of Tianjin Jinbin Development Co., Ltd. (天津津濱發展股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 000897) from June 2008 to April 2014.

Mr. Zheng graduated from Beijing College of Economics (北京經濟學院) (currently known as Capital University of Economics and Business (首都經濟貿易大學)) (Beijing, China) in July 1987, majoring in public finance, and obtained a bachelor's degree in economics. He graduated from Research Institute for Fiscal Science of the MOF (財政部財政科學研究所) (currently known as Chinese Academy of Fiscal Sciences (中國財政科學研究院)) (Beijing, China) in December 2000, majoring in public finance, and obtained a master's degree in economics. He graduated from Tsinghua University (清華大學) (Beijing, China) in July 2007, majoring in executive business administration, and obtained a master's degree in executive business administration. In addition, Mr. Zheng now serves as a member of Expert Consultancy Committee of Merger and Restructuring of Listed Companies of CSRC (中國證監會上市公司併購重組專家諮詢委員會).

Mr. Yung Hin Man Raymond, aged 57, was appointed as an independent non-executive Director of our Bank in September 2016.

Mr. Yung has served as chief executive officer of L.R. Capital Group and senior advisor of PricewaterhouseCoopers, respectively, since July 2016. Prior to that, he had served as managing partner of China financial services group of PricewaterhouseCoopers from September 2002 to June 2016 and was a board member in regions of China, Hong Kong, Singapore and Taiwan concurrently from July 2013 to June 2016. He had served as partner of Arthur Andersen from September 1991 to July 2002 and a member of the Banking Advisory Committee of Hong Kong Monetary Authority concurrently from December 1996 to August 2002. He had successively held a number of positions in Arthur Andersen from June 1980 to June 2002. He was seconded to the Office of the Commissioner of Banking of Hong Kong (currently known as Hong Kong Monetary Authority) as accounting and internal control special advisor from July 1991 to February 1993.

Mr. Yung graduated from Hong Kong Polytechnic University (Hong Kong) in November 1980 and obtained a higher diploma in accounting. In addition, Mr. Yung has been an Australia certified public accountant accredited by CPA Australia since September 1990, a Hong Kong certified accountant accredited by the Hong Kong Society of Accountants (香港會計師公會) since July 1983 and a UK chartered accountant accredited by the Association of Chartered Certified Accountants (英國特許公認會計師公會) since March 1983.

SUPERVISORS

Pursuant to PRC Company Law, it is stipulated that a joint stock company must set up a board of supervisors being responsible for supervising the duty and responsibility fulfillment of the board of directors and the senior management and the financial activities, internal control and risk management of the company. The Board of Supervisors of our Bank comprises nine Supervisors, including three employee Supervisors, three shareholder representative Supervisors and three external Supervisors. In accordance with the Articles of Association of our Bank, the Supervisors are elected for a term of three years and can be re-elected upon expiration of the term of office. The cumulative term of an external Supervisor shall not exceed six years. The following table sets forth certain information of the Supervisors of our Bank.

Name	Age	Date of Joining our Bank	Date of Appointment as a Supervisor	Position	Responsibilities
Mr. Liu Wensheng (劉文聖)	48	November 2012	November 2012	Chairman of the Board of Supervisors, Employee Supervisor	Being responsible for the work of the Board of Supervisors, supervising the duty and responsibility fulfillment of the Board of Directors and the senior management and financial activities, internal control and risk management of our Bank, performing the duties as a supervisor through the Board of Supervisors and Nomination Committee under the Board of Supervisors, overall coordination of the operation segments, and being in charge of Office of Board of Supervisors and Anti-money Laundering Center
Mr. Xiao Shilian (肖世練)	46	December 2010	August 2016	Employee Supervisor	Supervising the duty and responsibility fulfillment of the Board of Directors and the senior management and financial activities, internal control and risk management of our Bank and performing the duties as a supervisor through the Board of Supervisors and Audit Committee under the Board of Supervisors

Name	Age	Date of Joining our Bank	Date of Appointment as a Supervisor	Position	Responsibilities
Ms. He Heng (賀珩)	47	March 2015	August 2016	Employee Supervisor	Supervising the duty and responsibility fulfillment of the Board of Directors and the senior management and financial activities, internal control and risk management of our Bank and performing the duties as a supervisor through the Board of Supervisors and Nomination Committee under the Board of Supervisors
Mr. Huang Yong (黃勇)	52	May 2014	May 2014	Shareholder Representative Supervisor	Supervising the duty and responsibility fulfillment of the Board of Directors and the senior management and financial activities, internal control and risk management of our Bank and performing the duties as a Supervisor through the Board of Supervisors and Audit Committee under the Board of Supervisors
Mr. Lu Lian (盧練)	47	December 2009	December 2009	Shareholder Representative Supervisor	Supervising the duty and responsibility fulfillment of the Board of Directors and the senior management and financial activities, internal control and risk management of our Bank and performing the duties as a Supervisor through the Board of Supervisors and Nomination Committee under the Board of Supervisors
Mr. Zhang Dalin (張大林)	38	May 2014	May 2014	Shareholder Representative Supervisor	Supervising the duty and responsibility fulfillment of the Board of Directors and the senior management and financial activities, internal control and risk management of our Bank and performing the duties as a Supervisor through the Board of Supervisors and Audit Committee under the Board of Supervisors
Mr. Mao Yunshi (毛蘊詩)	71	December 2009	September 2016	External Supervisor	Supervising the duty and responsibility fulfillment of the Board of Directors and the senior management and financial activities, internal control and risk management of our Bank and performing the duties as a Supervisor through the Board of Supervisors and Nomination Committee under the Board of Supervisors

Name	Age	Date of Joining our Bank	Date of Appointment as a Supervisor	Position	Responsibilities
Mr. Shao Baohua (邵寶華)	48	May 2014	May 2014	External Supervisor	Supervising the duty and responsibility fulfillment of the Board of Directors and the senior management and financial activities, internal control and risk management of our Bank and performing the duties as a Supervisor through the Board of Supervisors and Audit Committee and Nomination Committee under the Board of Supervisors
Mr. Chen Dan (陳丹)	50	September 2016	September 2016	External Supervisor	Supervising the duty and responsibility fulfillment of the Board of Directors and the senior management and financial activities, internal control and risk management of our Bank and performing the duties as a Supervisor through the Board of Supervisors and Audit Committee under the Board of Supervisors

Mr. Liu Wensheng, aged 48, was appointed as chairman of the Board of Supervisors and an employee Supervisor of our Bank in November 2012. He is responsible for the Board of Supervisors, overall coordination of the operation segments, and is in charge of Office of Board of Supervisors and Anti-money Laundering Center.

Mr. Liu joined our Bank in November 2012 and had served as president of Information and Technology Management Department of our Bank from October 2014 to February 2015, being successively in charge of Information and Technology Department, Operational Management Department, Centralized Operation Department, E-banking Department, E-commerce and Process Bank Project Team, Information and Data Center, Customer Service Center, Anti-money Laundering Center, Development Center, Operation and Maintenance Center and Security Department.

Mr. Liu graduated from Northeast Normal University (東北師範大學) (Jilin, China) in June 2004, majoring in political economics, and obtained a master's degree in economics. In addition, Mr. Liu obtained the qualification of senior economist accredited by Jilin Branch of China Construction Bank Corporation in January 2004.

Mr. Xiao Shilian, aged 46, was appointed as an employee Supervisor of our Bank in August 2016 and appointed as general manager of Finance and Accounting Department of our Bank and chief financial officer of our subsidiary Zhujiang Financial Leasing Co., Ltd. in February 2016 and July 2016 respectively.

Mr. Xiao joined our Bank in December 2010. He had served as deputy general manager of Financial Planning Department of our Bank from December 2010 to March 2012, being mainly responsible for the financial accounting work, person-in-charge of Management Accounting System Project Team from March 2012 to February 2013, being mainly responsible for the development of management accounting system, deputy general manager of Financial Planning Department of our Bank and person-in-charge of Management Accounting System Project Team from February 2013 to February 2014, being mainly responsible for plan assessment, assets and liability management, financial accounting and statistics. He was also chief senior manager of Finance and Accounting Department of our Bank, person-in-charge of Management Accounting System Project Team and person-in-charge of Performance Appraisal System Project Team from February 2014 to December 2014, being mainly responsible for financial accounting, management, accounting and performance appraisal and assistant to president and chief financial officer of our subsidiary Zhujiang Financial Leasing Co., Ltd. from December 2014 to February 2016, being mainly responsible for the preparatory work of the company establishment and corporate finance and business innovation of the company after its establishment. Prior to joining our Bank, he had successively served as senior tax consultant of the tax department of Deloitte Touche Tohmatsu, manager of Guangzhou office of PricewaterhouseCoopers International Trade Consulting (Shanghai) Limited (普華永道國際貿易諮詢（上海）有限公司廣州分公司), and senior manager of tax department of Guangzhou office of Ernst & Young (China) Enterprise Advisory Limited (安永（中國）企業諮詢有限公司廣州分公司) from September 2004 to November 2010.

Mr. Xiao graduated from Hunan Institute of Economics and Finance (湖南財經學院) (currently known as Hunan University (湖南大學)) (Hunan, China) in June 1999, majoring in statistics, and obtained a master's degree in economics. He graduated from Sun Yat-sen University in June 2004, majoring in enterprise management, and obtained a doctor's degree in management. He had obtained the qualification of international internal auditor accredited by China Institute of Internal Audit (中國內部審計師協會) in November 2001 and the qualification of accountant accredited by CPA Examination Committee of Ministry of Finance of the PRC (財政部註冊會計師考試委員會) in December 2000. In addition, Mr. Xiao obtained "Second Prize in Management Accounting System with the Core of Full-cost and Multi-dimensional Profit Accounting for Small and Medium Banks" awarded by Guangdong Enterprise Management Modernization Achievement Evaluation Committee in November 2014.

Ms. He Heng, aged 47, was appointed as an employee Supervisor of our Bank in August 2016 and general manager of Performance Management Department in February 2016.

Ms. He joined our Bank in March 2015. She had served as assistant to president of our subsidiary Zhujiang Financial Leasing Co., Ltd. from March 2015 to July 2015, being mainly responsible for Asset Management Department, Comprehensive Management Department and compliance work and deputy general manager of Performance Management Department from August 2015 to February 2016, being mainly responsible for the comprehensive work of Performance Management Department. Prior to joining our Bank, she had successively served as deputy principal staff member, principal staff member, assistant consultant and deputy chief of policy and regulation section of CBRC Guangdong Office (currently known as business innovation supervision and cooperation section) and deputy chief of business innovation supervision and cooperation section from November 2003 to March 2015, being mainly responsible for the supervision of banking innovation business. She had held a number of positions in PBoC Guangzhou Branch from July 1999 to November 2003, including staff member and deputy principal staff member of monetary credit and statistics department of operation supervision division, deputy principal staff member and principal staff member of foreign bank and other financial institutions supervision department, being mainly responsible for monetary credit management, financial statistics and the supervision of foreign banks in Guangdong.

Ms. He graduated from Hunan Institute of Economics and Finance (currently known as Hunan University) in June 1999, majoring in international trade, and obtained a master's degree in economics.

In addition, Ms. He obtained the qualification of economist accredited by PBoC Guangzhou Branch in August 2002.

Mr. Huang Yong, aged 52, was appointed as a shareholder representative Supervisor of our Bank in May 2014.

Mr. Huang has served as vice chairman and general manager of Guangzhou International Group Co., Ltd. (廣州國際集團有限公司) (currently known as Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司)) since July 2013, being mainly responsible for the production operation and strategy development. Prior to that, he had served as vice chairman of the board of supervisors of Guangzhou Port Company Limited (廣州港股份有限公司) from January 2011 to November 2016, deputy general manager of Guangzhou Port Group Co., Ltd. (廣州港集團有限公司) from February 2006 to June 2013 and assistant to general manager from May 2005 to January 2006 and general manager of Guangzhou Port Xinsha Stevedoring Co., Ltd. (廣州港新沙港務有限公司) from January 2002 to February 2006.

Mr. Huang graduated from Northern Jiaotong University (北方交通大學) (currently known as Beijing Jiaotong University (北京交通大學)) (Beijing, China) in July 1986, majoring in computer technology, and obtained a bachelor's degree in engineering. He graduated from Northern Jiaotong University in May 1989, majoring in system analysis, and obtained a master's degree in engineering. He graduated from Beijing Jiaotong University in January 2008, majoring in transportation planning and management, and obtained a doctor's degree in engineering.

Mr. Lu Lian, aged 47, was appointed as a shareholder representative Supervisor of our Bank in December 2009 and has served as director of our subsidiary Xinyang Zhujiang County Bank Co., Ltd. (信陽珠江村鎮銀行股份有限公司) since March 2012.

Mr. Lu has served as chairman of Guangzhou Goldvole Investment Group Co., Ltd. (廣州市金宏利投資集團有限公司) since April 2010, chairman of Guangdong Hujing Jinge Food Co., Ltd. (廣東湖景金閣飲食有限公司) since March 2008, general manager of Guangzhou Goldvole Estate Co. Ltd. (廣州市金宏利置業有限公司) since June 2000. Prior to that, he had served as chairman of Guangzhou Goldvole International Hotel Co., Ltd. (廣州市金宏利國際酒店有限公司) from July 2005 to July 2016 and general manager of Guangzhou Goldvole Trade Development Co., Ltd. (廣州市金宏利貿易發展有限公司) from July 1996 to November 2015.

Mr. Lu graduated from Sun Yat-sen University at associate's level in June 2009, majoring in operational management (correspondence education).

Mr. Zhang Dalin, aged 38, was appointed as a shareholder representative Supervisor of our Bank in May 2014.

Mr. Zhang established Guangzhou Fengle Fuel Co., Ltd. (廣州豐樂燃料有限公司) in September 2004 and has served as president since its establishment. He established Guangdong Fengle Group Co., Ltd. (廣東豐樂集團有限公司) in March 2011 and has served as executive director and president since its establishment. He established Guangdong Zhengpeng Creature Energy Science and Technology Co., Ltd. (廣東正鵬生物質能源科技有限公司) in September 2011 and has served as executive director since its establishment.

Mr. Zhang graduated from Hunan Agricultural University (湖南農業大學) (Hunan, China) at bachelor's level in January 2008, majoring in business administration (correspondence education). In addition, Mr. Zhang now serves as a member of the 15th Congress of Guangzhou Municipal People's Congress (廣州市第十五屆人民代表大會), a member of the 2nd Session of Chinese People's Political Consultative Conference Guangzhou Zengcheng District Committee (中國人民政治協商會議第二屆廣州市增城區委員會), executive vice president of Zhongguancun Equity Investment Association (中關村股權投資協會) and executive vice president of Guangdong Province Venture Capital Association (廣東省創業投資協會).

Mr. Mao Yunshi, aged 71, was appointed as an external Supervisor of our Bank in September 2016.

Mr. Mao had served as an independent non-executive Director of our Bank from December 2009 to August 2016. He has served as professor and doctoral tutor of School of Management of Sun Yat-sen University and director of Enterprise and Market Research Center since July 1992. In addition, Mr. Mao has served as independent director of Guangxi Beibu Gulf Bank Co., Ltd. (廣西北部灣銀行股份有限公司) since August 2016, and independent director of China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. (華潤三九醫藥股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 000999) since June 2011, independent director of Shenzhen Jasic Technology Co., Ltd. (深圳佳士科技股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 300193) from February 2010 to January 2016 and independent director of Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (廣州白雲山製藥股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 000522) from May 2002 to May 2008.

Mr. Mao graduated from Catholic University of Leuven (Belgium) in March 1983, majoring in business administration, and obtained a master's degree in business administration. He obtained a doctor's degree in economics from Wuhan University in August 1993. He obtained the title of "Distinguished Social Scientist in Guangdong Province (廣東省優秀社會科學家)" awarded by Propaganda Department of Guangdong Provincial Party Committee of the Communist Party of China and Guangdong Social Sciences Association (廣東省社會科學界聯合會) in December 2015. In addition, Mr. Mao now serves as a member of the 12th Session of the National Committee of the Chinese People's Political Consultative Conference.

Mr. Shao Baohua, aged 48, was appointed as an external Supervisor of our Bank in May 2014.

Mr. Shao has served as executive director and chairman of Guangzhou Huadu Huanyang Trading Co., Ltd. (廣州市花都環洋商貿有限公司) since April 1995. Prior to that, he had served as chairman of Guangzhou College of Technology and Business (廣州工商職業技術學院) from September 2000 to May 2014 and principal of Guangzhou Huadu Huanyang School of Commerce (廣州市花都環洋商務學校) from April 1995 to May 2000.

Mr. Shao graduated from Peking University (北京大學) (Beijing, China) at master's level in July 2006, majoring in international relation. He graduated from Jinan University in June 2012, majoring in international relation, and obtained a doctor's degree in law. In addition, Mr. Shao had served as a member of the 14th Congress of People's Congress of Guangzhou Huadu District (廣州市花都區第十四屆人民代表大會) and now serves as a member of the 9th Session of Chinese People's Political Consultative Conference Guangzhou Huadu District Committee (中國人民政治協商會議第九屆廣州市花都區委員會) and a member of the 14th Congress of Guangzhou Municipal People's Congress.

Mr. Chen Dan, aged 50, was appointed as an external Supervisor of our Bank in September 2016.

Mr. Chen has served as chairman of Guangdong Evergreen Conglomerate Co., Ltd. (廣東恒興集團有限公司) since July 1998 and chairman of Guangdong Evergreen Feed Industry Co., Ltd. (廣東恒興飼料實業股份有限公司) since December 1995. Prior to that, he had served as director of Guangdong Nanyue Bank Co., Ltd. (廣東南粵銀行股份有限公司) from May 2010 to March 2014 and chairman and general manager of Zhanjiang Evergreen Industry Co., Ltd. (湛江市恒興實業有限公司) from May 1991 to November 2001.

Mr. Chen graduated from National University of Singapore (Singapore) in August 2001, majoring in business administration, and obtained a master's degree in business administration. In addition, Mr. Chen now serves as a member of the 12th Congress of National People's Congress, a member of the Standing Committee of the 12th Congress of Guangdong Provincial People's Congress (廣東省第十二屆人民代表大會常務委員會), chairman of the 11th Session of Guangdong Federation of Industry and Commerce Executive Committee (廣東省工商業聯合會第十一屆執行委員會), vice chairman of the 12th Session of Chinese People's Political Consultative Conference Zhanjiang Committee (中國人民政治協商會議第十二屆湛江委員會) and a member of the 11th Session of All-China Federation of Industry and Commerce (中華全國工商業聯合會第十一次代表大會).

Mr. Chen acted as supervisor of Beijing Zijin Furong Gourmet Food Co., Ltd. (北京紫金芙蓉美食有限公司) from December 26, 2006 to December 30, 2008. Such company was established in China and had not carried out any business activities. It failed to participate in 2008 annual inspection pursuant to the relevant PRC requirements, and as such, its business license was revoked by the competent company registration authority on December 30, 2008. Mr. Chen confirmed that the competent company registration authority has not imposed any administrative penalty on Mr. Chen personally and he has not assumed any contingent liabilities nor has he been subject to any relevant claims as a result of the revocation of the business license of the aforesaid company.

SENIOR MANAGEMENT

The following table sets forth certain information of senior management of our Bank.

Name	Age	Date of Joining our Bank	Date of First Appointment as Senior Management	Position	Responsibilities
Mr. Yi Xuefei (易雪飛)	49	March 2006	March 2006	Vice chairman, President and Executive Director	Being responsible for the operational management of our Bank and being in charge of Internal Audit Department and Compliance and Legal Affairs Department
Mr. Zuo Yi (左弋)	53	April 2016	April 2016	Secretary to Commission for Discipline Inspection	Being responsible for our discipline inspection and supervision and labor union, being in charge of Discipline Inspection and Supervision Department, Party-Mass Relationship Work Department and Security Department

Name	Age	Date of Joining our Bank	Date of First Appointment as Senior Management	Position	Responsibilities
Mr. Wu Huiqiang (吳慧強)	52	November 2008	November 2008	Vice president, Executive Director	Being responsible for the coordination of the corporate and interbank finance segment and being in charge of Corporate Finance Department and Business Unit of the Head Office, and assisting with the management of Strategic Planning Department
Mr. Chen Jianming (陳健明)	55	May 2001	April 2007	Vice president	Being responsible for the coordination of the retail finance segment and being in charge of Retail Credit Approval Department and Credit Card Business Department
Mr. Zhang Dong (張東)	46	February 2008	November 2016	Vice president	Being responsible for our human resources, office administration and training, being in charge of General Office, Human Resources Department, Administrative Management Department, Information Technology Management Department and Yangcheng Sub-branch, and assisting with the management of Internal Audit Department
Mr. Peng Zhijun (彭志軍)	48	May 2006	October 2013	Vice president(1), Chief risk officer(2)	Being responsible for our risk management and credit approval, being in charge of Office of Board of Directors, Risk Management Department, Credit Approval Department and Asset Monitoring Department, and assisting with the management of Compliance and Legal Affairs Department
Mr. Chen Wu (陳武)	48	January 2014	January 2014	Vice president(1), Chief financial officer(3)	Being responsible for our investment, institutional management and financial work, being in charge of Investment and Institutional Management Department, Performance Management Department and Finance and Accounting Department
Mr. Wu Haifeng (吳海峰)	39	May 2006	October 2013	Assistant to president	Being responsible for our financial leasing, being in charge of Strategic and Emerging Industry Business Department, and assisting with the management of Infrastructure Project Office

Name	Age	Date of Joining our Bank	Date of First Appointment as Senior Management	Position	Responsibilities
Ms. Chen Linjun (陳林君)	44	January 2007	October 2013	Business director	Being responsible for our retail financial business, being in charge of Retail Finance Department, Small and Micro Business Management Department, Internet Finance Business Department, Private Banking Business Department, Consumer Banking Business Department, Customer Service Department and Huacheng Sub-branch, and assisting with the management of Information Technology Management Department
Mr. Chen Qianhong (陳千紅)	43	November 2010	October 2013	Business director	Being responsible for our financial market business, being in charge of Financial Market Department, Interbank Business Department, Asset Management Department, Fixed Income Department, Asset Custody Department and Bill Business Department
Ms. Yang Xuan (楊璇)	40	August 1998	February 2015	Business director	Being responsible for our financial business, being in charge of Real Estate Business Department, Investment Banking Business Department, Agriculture Business Department, Transaction Banking Department and International Business Department, and assisting with the management of Business Unit of the Head Office

(1) The qualification of vice president is subject to approval by CBRC Guangdong Office.
(2) The qualification of chief risk officer is subject to approval by CBRC Guangdong Office.
(3) The qualification of chief financial officer is subject to approval by CBRC Guangdong Office.

Mr. Yi Xuefei — For the biography of Mr. Yi Xuefei, see "—Directors—Executive Directors."

Mr. Zuo Yi, aged 53, was appointed as secretary to Commission for Discipline Inspection of our Bank in April 2016. He is mainly responsible for our discipline inspection and supervision and labor union, and is in charge of Discipline Inspection and Supervision Department, Party-Mass Relationship Work Department and Security Department.

Mr. Zuo joined our Bank in April 2016. Prior to that, he had successively served as deputy director (division grade) and director (division grade) of Guangzhou Municipal Discipline Inspection Committee of the Communist Party of China and office for supervision of party and government morality of Guangzhou Municipal Supervision Bureau from December 2013 to April 2016, being mainly responsible for supervising the Communist Party and government morality in Guangzhou, deputy director (division grade) of Guangzhou Municipal Discipline Inspection Committee of the Communist Party of China and party honesty office and anti-malpractice office of Guangzhou Municipal Supervision Bureau from December 2008 to December 2013 and deputy director (assistant division grade) of Guangzhou Municipal Discipline Inspection Committee of the Communist Party of China and anti-malpractice office of Guangzhou Municipal Supervision Bureau from December 2006 to December 2008, being mainly responsible for the correction of misconduct of departments and industries in Guangzhou.

Mr. Zuo graduated from Military Economics Institute of Chinese People's Liberation Army (中國人民解放軍軍事經濟學院) (Hubei, China) in June 1996, majoring in army finance. In addition, Mr. Zuo obtained the qualification of senior accountant accredited by Guangdong Provincial Human Resources Department in February 2004.

Mr. Wu Huiqiang — For biography of Mr. Wu Huiqiang, see "—Directors—Executive Directors."

Mr. Chen Jianming, aged 55, was appointed as vice president of our Bank in December 2009. He is mainly responsible for the coordination of the retail finance segment and is in charge of Retail Credit Approval Department and Credit Card Business Department.

Mr. Chen joined our Bank in May 2001. He had successively served as deputy director and director of Guangzhou Panyu Rural Credit Cooperative Union (廣州市番禺農村信用合作社聯合社) from May 2001 to October 2006, director of Panyu Credit Cooperative of Guangzhou Rural Credit Cooperative (廣州市農村信用合作聯社番禺信用社) from October 2006 to March 2007, assistant to director and deputy director of Guangzhou Rural Credit Cooperative from April 2007 to December 2009. He has served as vice president of our Bank since December 2009 and successively as the president of Retail Finance Department and Financial Market Department. Prior to that, he had successively held a number of positions in PBoC Panyu Sub-branch, including office staff member, accounting and teller staff member, deputy sector chief and sector chief of currency issuance section, vice president of Panyu Sub-branch and vice president of SAFE Panyu Sub-branch from August 1979 to April 2001, being mainly in charge of work in relation to currency issuance, planning and statistics, financial regulation, foreign exchange management and financial market.

Mr. Chen graduated from China Central Radio and TV University (currently known as Open University of China) (Guangzhou, China) in May 2003, majoring in finance. He graduated from Sun Yat-sen University in December 2010, majoring in executive business administration, and obtained a master's degree in executive business administration. He obtained the qualification of economist accredited by PBoC. In addition, Mr. Chen obtained the title of "2013 Guangzhou Tianhe District Distinguished Talent" awarded by Organization Department of Guangzhou Tianhe District Party Committee of the Communist Party of China in January 2014.

Mr. Zhang Dong, aged 46, was appointed as vice president of our Bank in November 2016. He is mainly responsible for our human resources, office administration and training, in charge of General Office, Human Resources Department, Administrative Management Department, Information Technology Management Department and Yangcheng Sub-branch, and assists with the management of Internal Audit Department.

Mr. Zhang initially joined our Bank in February 2008. He had successively served as deputy general manager (person-in-charge) of office of Guangzhou Rural Credit Cooperative from February 2008 to February 2009, general manager of office and general manager of administration department of Guangzhou Rural Credit Cooperative from March 2009 to December 2009, general manager of Office and general manager of Administration Department of our Bank from December 2009 to March 2011 and general manager of Human Resources Department (Party-Mass Supervision Department) of our Bank from March 2011 to July 2013 and chairman of our subsidiary Xinyang Zhujiang County Bank Co., Ltd. and general manager of Human Resources Department (Party-Mass Supervision Department) of our Bank from November 2012 to July 2013. In addition, he has served as chairman of the board of supervisors of Guangzhou Lingnan Group Holdings Company Limited (廣州嶺南集團控股股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 000524) since July 2014 and secretary to commission for discipline inspection of Guangzhou Lingnan International Enterprise Group Co., Ltd. from July 2013 to April 2016.

Mr. Zhang obtained a master's degree in business administration jointly awarded by Hong Kong Polytechnic University and Xi'an Jiaotong University (西安交通大學) (Shaanxi, China) in November 2004. He graduated from South China Agricultural University (華南農業大學) (Guangdong, China) in June 2014, majoring in forestry economics and management, and obtained a doctor's degree in management. In addition, Mr. Zhang obtained the qualification of senior economist in business administration accredited by Guangzhou Municipal Human Resources and Social Security Bureau (廣州市人力資源和社會保障局) in March 2015 and the qualification of lawyer accredited by Department of Justice of Guangdong Province in December 1994.

Mr. Peng Zhijun, aged 48, was appointed as vice president of our Bank in April 2017 and is mainly responsible for our risk management and credit approval, in charge of Office of Board of Directors, Risk Management Department, Credit Approval Department and Asset Monitoring Department, and assists with the management of Compliance and Legal Affairs Department. He has also served as president of Neo Sun Foundation (太陽公益基金會) from February 2016 to January 2017 and Chief Risk Officer of our Bank since November 2016.

Mr. Peng joined our Bank in May 2006. He had served as deputy general manager of development and research department of Guangzhou Rural Credit Cooperative Union from May 2006 to October 2006, deputy general manager of development and research department, general manager of office of Guangzhou Rural Credit Cooperative from October 2006 to February 2008, deputy director (person-in-charge) and director of Zengcheng Credit Cooperative of Guangzhou Rural Credit Cooperative from March 2008 to December 2009, president of Zengcheng Sub-branch of our Bank from December 2009 to September 2012, assistant to director (secondment position) of cooperation financial institution supervision department of CBRC from September 2012 to October 2013 and president of Conghua Sub-branch of our Bank from February 2013 to February 2014. He had also served as assistant to president of our Bank from October 2013 to March 2017, general manager of Risk Management Department from February 2014 to October 2014, general manager of Human Resources Department (Party-Mass Relationship Work Department) from October 2014 to October 2016 and dean of Zhujiang Business School (珠江商學院) from February 2015 to July 2015. Prior to that, he had successively held a number of positions in Shenzhen Development Bank Co., Ltd. (深圳發展銀行股份有限公司) Guangzhou Branch from September 2002 to April 2006, including deputy director of office, vice president of Ouzhuang Sub-branch and president of Shuiyin Sub-branch.

Mr. Peng graduated from Hunan University of Finance and Economics (currently known as Hunan University) in June 1993, majoring in rural finance, and obtained a bachelor's degree in economics. He graduated from Jinan University in January 2000, majoring in finance, and obtained a master's degree in economics. He graduated from Wuhan University in June 2011, majoring in enterprise management, and obtained a doctor's degree in management. In addition, Mr. Peng obtained the qualification of senior economist accredited by Guangzhou Municipal Human Resources Bureau (廣州市人事局) in December 2004.

Mr. Chen Wu, aged 48, was appointed as vice president of our Bank in April 2017. He is mainly responsible for our investment, institutional management and financial work, in charge of Investment and Institutional Management Department, Performance Management Department and Finance and Accounting Department. He has also served as chairman of board of supervisors of our subsidiary Zhujiang Financial Leasing Co., Ltd. since December 2014 and chief financial officer of our Bank since November 2016.

Mr. Chen joined our Bank in January 2014. He had served as assistant to president of our Bank from January 2014 to March 2017, general manager of Internal Audit Department from February 2014 to February 2015 and employee Supervisor of our Bank from May 2014 to August 2016. Prior to that, he successively held a number of positions in CBRC Guangdong Office from October 2003 to January 2014, including person-in-charge of city commercial banks supervision department, vice president and president of Zhaoqing banking regulatory branch, chief of non-bank financial institutions regulation department, chief of finance and accounting department and chief of small and medium rural financial institutions regulation department. He had held a number of positions in PBoC Guangdong Branch from January 1999 to October 2003, including deputy section chief of banking management department and deputy section chief of No. 2 supervision department, section chief of No. 2 banking supervision department of Guangzhou office, deputy chief of joint-stock commercial bank supervision department, deputy chief of city commercial bank supervision department. He had served as cadre and deputy section chief of supervisory commissioner's office of financial system discipline inspection team of Guangdong from July 1991 to December 1998.

Mr. Chen graduated from Sun Yat-sen University in June 2008, majoring in economic law, and obtained a master's degree in law. In addition, Mr. Chen obtained the qualification of intermediate economist accredited by Ministry of Personnel of the PRC (中華人民共和國人事部) in November 1997.

Mr. Wu Haifeng, aged 39, was appointed as assistant to president of our Bank in October 2013 and is mainly responsible for our financial leasing, in charge of Strategic and Emerging Industry Business Department, and assists with the management of Infrastructure Project Office. He has also served as director and president of our subsidiary Zhujiang Financial Leasing Co., Ltd. since December 2014.

Mr. Wu joined our Bank in May 2006. He had served as general manager of asset management department of Guangzhou Rural Credit Cooperative Union from May 2006 to September 2006, general manager of asset management department of Guangzhou Rural Credit Cooperative from October 2006 to January 2007, deputy director (person-in-charge) and director of Luogang Credit Cooperative of Guangzhou Rural Credit Cooperative (廣州市農村信用合作聯社蘿崗信用社) from January 2007 to February 2009, director of Huadu Credit Cooperative of Guangzhou Rural Credit Cooperative (廣州市農村信用合作聯社花都信用社) from March 2009 to December 2009. He successively held a number of positions in our Bank from December 2009 to February 2014, including president of Huadu Sub-branch, president of Panyu Sub-branch, president of Yangcheng Sub-branch and general manager of Real Estate Finance Business Department of our Bank. He had served as executive president of Corporate Finance Department from February 2014 to February 2015 and employee Supervisor of our Bank from May 2014 to August 2016. Prior to joining our Bank, he had successively held a number of positions in Industrial Bank Co., Ltd. (興業銀行股份有限公司) Guangzhou Branch from September 2000 to May 2006, including staff of corporate business department, deputy manager and deputy general manager of financial department, deputy general manager of No. 6 corporate department and president of Haizhu Sub-branch.

Mr. Wu graduated from Sun Yat-sen University in June 2000, majoring in international economic law, and obtained a bachelor's degree in law. He graduated from Sun Yat-sen University in June 2008, majoring in economic law, and obtained a master's degree in law. He graduated from Sun Yat-sen University in September 2015, majoring in legal theories, and obtained a doctor's degree in law.

Ms. Chen Linjun, aged 44, was appointed as business director of our Bank in October 2013 and is mainly responsible for our retail financial business, in charge of Retail Finance Department, Small and Micro Business Management Department, Internet Finance Business Department, Private Banking Business Department, Consumer Banking Business Department, Customer Service Department and Huacheng Sub-branch, and assists with the management of Information Technology Management Department.

Ms. Chen joined our Bank in January 2007. She had successively served as assistant to general manager of operation center, deputy general manager of accounting management department and general manager of operational management department of Guangzhou Rural Credit Cooperative from January 2007 to December 2009, general manager of Operational Management Department, general manager of Operational Management Department, general manager of E-banking Department and person-in-charge of E-commerce and Process Bank Project Team of our Bank from December 2009 to February 2014. During Ms. Chen's tenure as business director, she also served as executive president of Retail Financial Management Department, person-in-charge of Smart Banking Project Team and general manager of Internet Finance Department from February 2014 to February 2016. Prior to joining our Bank, she successively held a number of positions in China Construction Bank Corporation from August 1991 to June 2005, including system administrator of computer management department, deputy section chief of accounting department of Huangpu Sub-branch of Guangzhou Branch, assistant to director of note processing center, assistant to general manager of retail banking business department and senior assistant to general manager of Guangzhou development center of information technology department.

Ms. Chen graduated from China Central Radio and TV University (currently known as the Open University of China) at bachelor's level in October 2004, majoring in finance. In addition, Ms. Chen obtained "Third Prize in Banking Technology Development Award (銀行科技發展獎三等獎)" awarded by PBoC in June 2015.

Mr. Chen Qianhong, aged 43, was appointed as business director of our Bank in October 2013 and is mainly responsible for our financial market business, in charge of Financial Market Department, Interbank Business Department, Asset Management Department, Fixed Income Department, Asset Custody Department and Bill Business Department.

Mr. Chen joined our Bank in November 2010. He successively held a number of positions in our Bank from November 2010 to October 2013, including general manager of Fund Business

Department, general manager of Financial Market Business Department, general manager of Financial Market Business Management Department (Investment Banking and Real Estate Business Department), and general manager of Asset Management Center, deputy general manager of Non-local Business Management Department, being mainly responsible for fund business, financial market business and preparation work of Non-local Business Center establishment. During Mr. Chen's tenure as business director, he also served as general manager of Financial Markets Business Management Department and Asset Management Center, and executive president of Financial Market Department from October 2013 to February 2016, being mainly responsible for financial market business and assisting with the coordination of the financial market segment and being in charge of Asset Management Center, Interbank Center and Note Business Center of our Bank. Prior to joining our Bank, he had served as president of Tianjin Park Sub-branch of Bank of Communications Co., Ltd. (交通銀行股份有限公司) from November 2008 to November 2010. He successively held a number of positions in Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司) from February 2000 to November 2008, including general manager of capital operation department of business department of Henan Branch, president of Weisanlu Sub-branch, president of Huayuan Road Sub-branch of Zhengzhou and general manager of risk management department of business department of Henan Branch.

Mr. Chen graduated from University of International Business and Economics (Beijing, China) in December 2003, majoring in enterprise management, and obtained a master's degree in management. He graduated from Peking University in July 2009, majoring in finance, and obtained a master's degree in economics. In addition, Mr. Chen obtained the qualification of senior economist accredited by Industrial and Commercial Bank of China Limited in October 2005.

Ms. Yang Xuan, aged 40, was appointed as business director of our Bank in February 2015 and is mainly responsible for our financial business, in charge of Real Estate Business Department, Investment Banking Business Department, Agriculture Business Department, Transaction Banking Department and International Business Department, and assists with the management of Business Unit of the Head Office.

Ms. Yang joined our Bank in August 1998. She had served as accountant of Yangji Branch of Shipai Credit Cooperative of Guangzhou Tianhe Rural Credit Cooperative Union (廣州市天河農村信用合作社聯合社石牌信用社) from August 1998 to November 1998, credit staff of credit planning department and person-in-charge of legal office, deputy manager of asset security department, manager of marketing department of operation center and manager of credit department of operation center of Guangzhou Tianhe Rural Credit Cooperative Union (廣州市天河農村信用合作社聯合社) from December 1998 to October 2006. She successively held a number of positions in Guangzhou Rural Credit Cooperative, including deputy general manager of corporate business department, general manager of compliance and risk department and general manager of corporate banking department from October 2006 to December 2009. She had served as general manager of Corporate Financial Department and general manager of Small and Medium Enterprises (Agriculture, Village and Farmer) Financial Department and general manager of Marketing Management Department of our Bank from December 2009 to February 2013, general manager of International Business Department of our Bank and general manager of Corporate Financial Department, deputy general manager of Guangzhou Region Business Management Department and general manager of Group Institution Department of our Bank from February 2013 to August 2013, general manager of Corporate Finance Department and general manager of Group and Institutional Clients Business Department of our Bank from August

2013 to February 2014, vice president and executive president of Corporate Financial Management Department, general manager of Business Unit of the Head Office and general manager (president) of Guangzhou Region Business Management Department (Zhujiang Branch) (under preparation) of our Bank from February 2014 to February 2016. During Ms. Yang's tenure as business director, she also served as general manager of Business Unit of the Head Office and general manager (president) of Guangzhou Region Business Management Department (Zhujiang Branch) (under preparation) of our Bank from February 2015 to February 2016.

Ms. Yang graduated from Sun Yat-sen University in June 1998, majoring in international economic law, and obtained a bachelor's degree in law. She graduated from Jinan University in January 2006, majoring in economic law, and obtained a master's degree in law. She graduated from Shanghai University of Finance and Economics (Shanghai, China) in June 2012, majoring in business administration, and obtained a master's degree in business administration. She obtained the qualification of intermediate economist accredited by Ministry of Human Resources of the PRC in November 2003. In addition, Ms. Yang obtained the title of "2015 Guangzhou Financial Senior Professional Talent (2015年度廣州市金融高級專業人才)" awarded by Guangzhou Senior Financial Talent Evaluation Leading Team Office in November 2015.

JOINT COMPANY SECRETARIES

Ms. Zheng Ying, aged 44, was appointed as one of the joint company secretaries to our Bank in November 2016 and appointed as general manager of Office of Board of Directors (Office of Board of Supervisors) in February 2014.

Ms. Zheng joined our Bank in May 2006. She had served as deputy general manager of human resources department of Guangzhou Rural Credit Cooperative Union from May 2006 to October 2006, deputy general manager of human resources department of Guangzhou Rural Credit Cooperative from October 2006 to March 2007, deputy general manager and general manager of fund business department of Guangzhou Rural Credit Cooperative from March 2007 to November 2009, general manager of Financial Market Business Department of our Bank from December 2009 to March 2011, general manager of Capital Management Department (Listing Office) of our Bank from March 2011 to March 2012, general manager of Office of Board of Directors (Office of Board of Supervisors) of our Bank from March 2012 to July 2013 and general manager of Office of our Bank from July 2013 to February 2014. Prior to joining our Bank, she had served as secretary to board of directors of Hunan Tianyi Science and Technology Co., Ltd. (湖南天一科技股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 000908, currently known as Hunan Jingfeng Pharmaceutical Co., Ltd. (湖南景峰醫藥股份有限公司)) from April 2002 to April 2006 and manager of general business department of Beijing management headquarters of Xiangcai Securities Co., Ltd. (湘財證券股份有限公司) from December 1996 to December 2001.

Ms. Zheng graduated from Changsha Railway University (長沙鐵道學院) (currently known as Central South University (中南大學)) in July 1993, majoring in computer software, and obtained a bachelor's degree in engineering. She graduated from Hunan University of Finance and Economics (currently known as Hunan University) in December 1998, majoring in finance, and obtained a graduate education-equivalent level. She obtained qualification of assistant researcher accredited by Hunan Provincial Human Resources Department (湖南省人事廳) in July 1999. She obtained the title of "2015 Guangzhou Financial Senior Professional Talent" awarded by Guangzhou Senior Financial Talent Evaluation Leading Team Office in November 2015.

Ms. Li Oi Lai was appointed as one of the joint company secretaries to our Bank in November 2016.

Ms. Li has more than 15 years of experience in auditing, accounting and company secretarial field and is currently a manager of SW Corporate Services Group Limited. She obtained a bachelor's degree in commerce (honors) in accounting from Hong Kong Shue Yan University in October 2010 and a master's degree in professional accounting from Hong Kong Polytechnic University in November 2003. Ms. Li has been a fellow member of the Hong Kong Institute of Certified Public Accountants since March 2015, a fellow member of the Association of International Accountants since November 2014 and a member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom since October 2006.

COMMITTEES UNDER THE BOARD OF DIRECTORS

The following four committees are set up under the Board of Directors: Strategy and Investment Committee (Sannong Committee), Audit Committee, Related Party Transactions and Risk Management Committee, and Nomination and Remuneration Committee. Each committee operates in accordance with its scope of responsibilities and authorities formulated by the Board of Directors.

Strategy and Investment Committee (Sannong Committee)

Our Bank has set up Strategy and Investment Committee (Sannong Committee) with written scope of responsibilities and authorities. Strategy and Investment Committee (Sannong Committee) consists of 11 Directors, namely, Mr. Wang Jikang, Mr. Yi Xuefei, Mr. Su Zhigang, Mr. Shao Jianming, Mr. Zheng Shuping, Mr. Zhang Yongming, Mr. Song Guanghui, Mr. Liu Heng, Mr. Liu Shaobo, Mr. Zheng Jianbiao and Mr. Yung Hin Man Raymond, and Mr. Wang Jikang is the chairman. The primary duties of Strategy and Investment Committee (Sannong Committee) include:

- formulating the long-term development strategy and medium and long-term development outline of our Bank and making recommendations to the Board of Directors;
- formulating the development strategy and plan of Sannong financial services and promoting the establishment of Sannong financial service mechanism;
- making recommendations on the adjustments of strategies in response to the change of operation environment, supervising and assessing the implementation of strategies and making relevant recommendations;
- conducting research on and formulating relevant systems for external investment, making recommendations on and formulating plans for the major investment decisions of our Bank (including fixed asset investment and equity investment) and implementing group management on our subsidiaries;
- conducting research on and formulating relevant system for external mergers and acquisitions, conducting research on the strategy for mergers and acquisitions and making recommendations on implementation plan, including acquisition object, acquisition method, reorganization and consolidation;
- conducting research on and planning diversified operation and development models, conducting research on and formulating organization models and management methods of finance companies; and

- conducting research on the implementation of other major issues concerning the strategic development of our Bank.

Audit Committee

Our Bank has set up Audit Committee with written scope of responsibilities and authorities in compliance with the requirements of the Listing Rules. Audit Committee consists of five Directors, namely, Mr. Zheng Jianbiao, Mr. Li Fangjin, Mr. Zhu Kelin, Mr. Liu Heng and Mr. Yung Hin Man Raymond, and Mr. Zheng Jianbiao is the chairman. The primary duties of Audit Committee include:

- reviewing the financial and accounting policy and practice, financial position and financial reporting procedures of our Bank;
- reviewing the risk and compliance conditions of our Bank;
- supervising the internal audit system of our Bank and its implementation;
- reviewing and supervising the financial information and its disclosure and financial supervision of our Bank;
- supervising the completeness of financial statements, annual reports and accounts, interim reports and quarterly reports (if to be published) of our Bank, reviewing the major opinions about the financial declarations set out in the statements and reports, preparing report on the authenticity, completeness and accuracy of the information set out in audited financial reports and submitting the same to the Board of Directors for review and consideration;
- making recommendations on the appointment, re-appointment and replacement of external auditors being responsible for annual audit and approving the remuneration and appointment terms for external auditors, reviewing management letters from external auditors to the management, the material query on accounting record, financial accounts or supervision system raised by the external auditors to the management and response from the management, ensuring that the Board of Directors timely responses the issues raised in the management letters from the external auditors to the management;
- coordinating the communication between internal auditors and external auditors and ensuring the coordination between their work; and
- reviewing and supervising the internal control system of our Bank, discussing the internal control system with management and ensuring that the management has duly performed their duties and established an effective system, researching on the important findings on internal control issues and the feedback from the management to these findings.

Related Party Transactions and Risk Management Committee

Our Bank has set up Related Party Transactions and Risk Management Committee with written scope of responsibilities and authorities. Related Party Transactions and Risk Management Committee consists of seven Directors, namely, Mr. Song Guanghui, Mr. Wu Huiqiang, Mr. Shao Jianming, Mr. Li Fangjin, Mr. Zhu Kelin, Mr. Liu Guojie and Mr. Liu Heng, and Mr. Song Guanghui is the chairman. The primary duties of Related Party Transactions and Risk Management Committee include:

- managing related party transactions of our Bank, reviewing related party transactions in a timely manner and making recommendations, and controlling risks in relation to related party transaction;

- reviewing and revising the risk strategies, risk management policies, comprehensive risk management structure and internal control procedures of our Bank, supervising and evaluating their implementation and effectiveness and making recommendations to the Board;
- conducting evaluation on the risk and management conditions, risk tolerance ability and level, case prevention of our Bank on a regular basis and making recommendations to refine the risk management and internal control of our Bank;
- reporting the risk structure and its changes to the Board, ensuring that the Board fully understands the key factors that may have impact on the risk profile of our Bank; and
- reviewing and approving issues in relation to material risk management or transactions with the authorization of the Board.

Nomination and Remuneration Committee

Our Bank has set up Nomination and Remuneration Committee with written scope of responsibilities and authorities in compliance with the requirements of the Listing Rules. Nomination and Remuneration Committee consists of five Directors, namely Mr. Liu Shaobo, Mr. Zhang Yongming, Mr. Song Guanghui, Mr. Zheng Jianbiao and Mr. Yung Hin Man Raymond, and Mr. Liu Shaobo is the chairman. The main responsibilities of Nomination and Remuneration Committee include:

- setting up the procedures, criteria, succession plans for Directors and the senior management;
- seeking and nominating qualified candidates for Directors and senior management;
- conducting preliminary review on the qualifications of candidates for Directors and senior management and making recommendations to the Board of Directors;
- reviewing the assessment criteria for Directors and the senior management, carrying out assessment and making recommendations;
- formulating the remuneration plan and structure for Directors, Supervisors and senior management, establishing standard and transparent procedures for setting up remuneration policies, making recommendations to the Board of Directors and supervising the implementation of the plan; and
- assessing the independence of independent non-executive Directors.

COMMITTEES UNDER THE BOARD OF SUPERVISORS

In addition to the abovementioned committees under the Board of Directors, our Bank has also set up two committees under the Board of Supervisors, namely, Audit Committee and Nomination Committee. The Audit Committee and the Nomination Committee under the Board of Supervisors are composed of Supervisors and operate independently of the Audit Committee and the Nomination and Remuneration Committee under the Board of Directors. These committees operate in accordance with their respective scope of responsibilities and authorities formulated by the Board of Supervisors.

Audit Committee

The Audit Committee consists of five Supervisors, namely Mr. Shao Baohua, Mr. Xiao Shilian, Mr. Huang Yong, Mr. Zhang Dalin and Mr. Chen Dan, and Mr. Shao Baohua is the chairman. The main responsibilities of Audit Committee include making audit plan for the following issues:

- supervising the performance of the Board of Directors and its members and the senior management;
- carrying out resignation auditing on the Directors and senior management;
- inspecting and supervising the financial activities of our Bank; and
- inspecting or auditing the operation decisions, risk management, internal control and case prevention of our Bank and providing guidance on the operation of Internal Audit Department of our Bank.

Nomination Committee

The Nomination Committee consists of five Supervisors, namely Mr. Mao Yunshi, Mr. Liu Wensheng, Ms. He Heng, Mr. Lu Lian and Mr. Shao Baohua, and Mr. Mao Yunshi is the chairman. The main responsibilities of Nomination Committee include:

- researching the criteria and procedures for selecting Supervisors;
- reviewing preliminarily the qualification of Supervisors;
- making recommendations to the Board of Supervisors on the number of members and composition of the Board of Supervisors;
- evaluating the performance of Supervisors;
- seeking qualified candidates for Supervisors; and
- supervising the procedures for selecting and appointing Directors.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Bank offers executive Directors, employee Supervisors and senior management, who are also employees of our Bank, compensation in the form of salaries, bonus, social security plans, housing provident fund scheme and other benefits. The non-executive Directors, independent non-executive Directors and other Supervisors receive compensation based on their responsibilities.

The aggregate amounts of pre-tax remuneration for the Directors and Supervisors by our Bank for the years ended December 31 of 2014, 2015 and 2016 were approximately RMB12.48 million, RMB10.72 million and RMB9.08 million, respectively.

The aggregate amounts of pre-tax remuneration for the top five individuals with highest pay by our Bank for the years ended December 31 of 2014, 2015 and 2016 were RMB12.57 million, RMB9.89 million and RMB9.06 million, respectively.

It is estimated that pre-tax remuneration to be paid by our Bank to the Directors and Supervisors will be equivalent to approximately RMB8.34 million in aggregate in 2017, based on the arrangements in force as of the date of this prospectus.

No compensation was paid to Directors, Supervisors or the top five individuals with highest pay of our Bank as an inducement to join, or upon joining, our Bank. No compensation was paid to, or is receivable by, the current Directors, ex-Directors or the top five individuals with highest pay during the Track Record Period for the loss of office as Director of our Bank or of any other offices in connection with the management of the affairs of our Bank. None of the Directors of our Bank waived any compensation during the same period.

Except as disclosed above, no other payments were paid or are payable, in the years ended December 31 of 2014, 2015 and 2016, respectively, by us to the Directors.

INTERESTS OF DIRECTORS AND SUPERVISORS

Except as disclosed in this prospectus, none of the Directors and the Supervisors: (i) held any other positions in our Bank as of the Latest Practicable Date; (ii) had any other relationship with any Directors, senior management or substantial shareholders of our Bank as of the Latest Practicable Date; and (iii) held any other directorship in any listed companies in the three years prior to the Latest Practicable Date. See Appendix VII — "Statutory and General Information" to this prospectus for interests of the Directors and Supervisors in the Domestic Shares within the meaning of Part XV of the SFO.

Except as disclosed herein, none of the Directors holds interests in any business other than that of our Bank, which competes or is likely to compete, either directly or indirectly, with the business of our Bank under Rule 8.10(2) of the Listing Rules.

Except as disclosed herein, to the best of the knowledge, information and belief of the Directors and Supervisors after having made all reasonable enquiries, there was no additional matter with respect to the appointment of the Directors or Supervisors that needs to be brought to the attention of the Shareholders and there was no additional information relating to the Directors or Supervisors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

COMPLIANCE ADVISOR

We have appointed China International Capital Corporation Hong Kong Securities Limited as the compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor shall advise our Bank:

- before the release of any regulatory announcement, circular or financial report;
- on any contemplated transaction (which might be a notifiable or connected transaction), including issuance and buyback of Shares;
- where our Bank proposes to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry to our Bank regarding unusual movements in the price or trading volume of H Shares of our Bank, the possible development of a false market in H Shares of our Bank or any other matters.

The terms of the appointment of the compliance advisor shall commence on the Listing Date and end on the date of distribution of the annual report of the financial results of our Bank for the first full financial year commencing after the Listing Date.

As of the Latest Practicable Date, our share capital was RMB8,153,418,539 comprising 8,153,418,539 Domestic Shares. The following persons directly or indirectly control, or are entitled to exercise, or control the exercise of, 5% or more of our Domestic Shares as of the Latest Practicable Date:

Name of Shareholder	Number of Shares directly or indirectly held	Approximate percentage of share capital as of the Latest Practicable Date
Guangzhou Municipal People's Government[(1)]	1,962,074,712	24.06%
Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司)[(2)]	420,010,000	5.15%

(1) These 1,962,074,712 Shares include 400,010,000 Shares directly held by Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), 369,510,000 Shares directly held by Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司), 349,510,000 Shares directly held by Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司), 339,510,000 Shares directly held by Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), 209,510,000 Shares directly held by Guangzhou Department Stores Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司), 150,000,000 Shares directly held by Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司), 49,510,000 Shares directly held by Guangzhou Jinjun Investments Holding Co., Ltd. (廣州金駿投資控股有限公司), 36,500,000 Shares directly held by Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), 20,000,000 Shares directly held by Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司), 10,000,000 Shares directly held by Guangzhou Textiles Industry & Trade Holdings Ltd. (廣州紡織工貿企業集團有限公司) and 7,705,712 Shares directly held by Guangzhou Port Group Co., Ltd. (廣州港集團有限公司), each of which is directly or indirectly wholly-owned by Guangzhou Municipal People's Government, 10,000,000 Shares directly held by Guangzhou Hanlin International Technology Park Co., Ltd. (廣州翰林國際科技創業園有限公司), 10,000,000 Shares directly held by Guangzhou Development District Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司) and 309,000 Shares directly held by Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司), each of which is controlled by Guangzhou Municipal People's Government.

(2) These 420,010,000 Shares include 400,010,000 Shares held by Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司) and 20,000,000 Shares held by Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司). Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司) is wholly-owned by Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司).

Immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, our issued share capital will comprise 8,009,518,539 Domestic Shares and 1,582,900,000 H Shares, representing 83.50% and 16.50% of the total issued share capital of our Bank, respectively. Assuming the Over-allotment Option is exercised in full, our issued share capital will comprise 7,987,933,539 Domestic Shares and 1,820,335,000 H Shares, representing 81.44% and 18.56% of the total issued share capital of our Bank, respectively.

So far as our Directors are aware, immediately following the completion of the Global Offering (and the offering of any additional H Shares which may be offered pursuant to the Over-allotment Option), the following persons will have an interest or short position in our Shares or underlying shares of our Bank which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings.

			Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
Name of Shareholder	**Nature of Interest**	**Class**	**Number of Shares directly or indirectly held**	**Approximate % of interest in our Bank**	**Approximate % of the relevant class of Shares of our Bank**	**Number of Shares directly or indirectly held**	**Approximate % of interest in our Bank**	**Approximate % of the relevant class of Shares of our Bank**
Guangzhou Municipal People's Government(1)	Interest of controlled corporation	Domestic Shares	1,818,174,712	18.95%	22.70%	1,796,589,712	18.32%	22.49%
Aerial Wonder Company Limited(2)	Beneficial Owner	H Share	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%
China Civil Aviation Investment Group Limited (中國民用航空投資集團有限公司)(2)	Interest of a Controlled Corporation	H Shares	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%
HNA Aviation (Hong Kong) Holdings Co., Limited (海航航空(香港)控股有限公司)(2)	Interest of a Controlled Corporation	H Shares	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%
HNA Aviation Group Co., Limited (海航航空集團有限公司)(2)	Interest of a Controlled Corporation	H Shares	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%
HNA Group Co., Ltd. (海航集團有限公司)(2)	Interest of a Controlled Corporation	H Shares	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%
Hainan Traffic Administration Holding Co., Ltd. (海南交管控股有限公司)(2)	Interest of a Controlled Corporation	H Shares	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%
Sheng Tang Development (Yangpu) Co. Ltd. (盛唐發展(洋浦)有限公司)(2)	Interest of a Controlled Corporation	H Shares	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%
Hainan Province Cihang Foundation (海南省慈航公益基金會)(2)	Interest of a Controlled Corporation	H Shares	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%
Aeon Life Insurance Company Limited	Beneficial Owner	H Shares	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%

(1) These 1,818,174,712 Shares include 370,522,686 Shares directly held by Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), 342,271,038 Shares directly held by Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司), 323,745,367 Shares directly held by Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司), 314,482,531 Shares directly held by Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), 194,065,668 Shares directly held by

Guangzhou Department Stores Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司), 138,942,534 Shares directly held by Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司), 45,860,299 Shares directly held by Guangzhou Jinjun Investments Holding Co., Ltd. (廣州金駿投資控股有限公司), 33,809,350 Shares directly held by Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), 18,525,671 Shares directly held by Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司), 9,262,836 Shares directly held by Guangzhou Textiles Industry & Trade Holdings Ltd. (廣州紡織工貿企業集團有限公司), 7,137,674 Shares directly held by Guangzhou Port Group Co., Ltd. (廣州港集團有限公司), 10,000,000 Shares directly held by Guangzhou Hanlin International Technology Park Co., Ltd. (廣州翰林國際科技創業園有限公司), 9,262,836 Shares directly held by Guangzhou Development District Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司) and 286,222 Shares directly held by Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司) (assuming no exercise of the Over-allotment Option).

By virtue of the SFO, Guangzhou Municipal People's Government is deemed to be interested in the Shares held by Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司), Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司), Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), Guangzhou Department Stores Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司), Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司), Guangzhou Jinjun Investments Holding Co., Ltd. (廣州金駿投資控股有限公司), Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司), Guangzhou Textiles Industry & Trade Holdings Ltd.(廣州紡織工貿企業集團有限公司) and Guangzhou Port Group Co., Ltd. (廣州港集團有限公司), which are directly or indirectly wholly-owned by Guangzhou Municipal People's Government, and in the Shares held by Guangzhou Development District Industrial Development Group Co., Ltd. (廣州開發區工業 發展集團有限公司) and Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司), which are controlled by Guangzhou Municipal People's Government.

Further, Guangzhou Hanlin International Technology Park Co., Ltd. (廣州翰林國際科技創業園有限公司) is owned as to 88.23%, 7.65% and 4.12% by Guangzhou China Life Insurance Urban Development Industry Investment Enterprises (廣州國壽城市發展產業投資企業), Guangzhou Science and Technology Innovation Investment Financial Holdings Ltd. (廣州科技金融創新投資控股有限公司) and Guangzhou Keyuan Medium and Small Enterprise Investment Operation Co., Ltd. (廣州科源中小企業投資經營有限公司), respectively. Guangzhou China Life Insurance Urban Development Industry Investment Enterprises (廣州國 壽城市發展產業投資企業) is a limited partnership and its general partner is an indirectly wholly-owned subsidiary of Guangzhou Municipal People's Government. Guangzhou Science and Technology Innovation Investment Financial Holdings Ltd. (廣州科技金 融創新投資控股有限公司) is an indirectly wholly-owned subsidiary of Guangzhou Municipal People's Government. Guangzhou Keyuan Medium and Small Enterprise Investment Operation Co., Ltd. (廣州科源中小 企業投資經營有限公司) is owned as to 75% by an indirectly wholly-owned subsidiary of Guangzhou Municipal People's Government. By virtue of the SFO, Guangzhou Municipal People's Government is deemed to be interested in the Shares held by Guangzhou Hanlin International Technology Park Co., Ltd. (廣州翰林國際科技創業園有限公司).

(2) Aerial Wonder Company Limited is wholly-owned by China Civil Aviation Investment Group Limited (中國民用航空投資集團有限公司) ("**China Civil Aviation**"), which is in turn wholly-owned by HNA Aviation (Hong Kong) Holdings Co., Limited (海航航空（香港）控股有限公司) ("**HNA Hong Kong**"). HNA Hong Kong is wholly-owned by HNA Aviation Group Co., Limited (海航航空集團有限公司) ("**HNA Aviation**"), which is in turn owned as to 75.24% by HNA Group Co., Ltd. (海航集團有限公司) ("**HNA Group**"). HNA Group is owned as to 70% by Hainan Traffic Administration Holding Co., Ltd. (海南交管控股有限公司) ("**Hainan Traffic Administration**"). Hainan Traffic Administration is owned as to 50% by Sheng Tang Development (Yangpu) Co. Ltd. (盛唐發展（洋浦）有限公司) ("**Sheng Tang Yangpu**"). Sheng Tang Yangpu is owned as to 65% by Hainan Province Cihang Foundation (海南省慈航公益基金會) ("**Cihang**"). Therefore, each of China Civial Aviation, HNA Hong Kong, HNA Aviation, HNA Group, Hainan Traffic Administration, Sheng Tang Yangpu and Cihang is deemed to be interested in the 295,229,000 Shares by virtue of SFO.

As of the Latest Practicable Date, our share capital comprised 8,153,418,539 Domestic Shares, with nominal value of RMB1.00 each.

Immediately after completion of the Global Offering, but without taking into account the exercise of the Over-allotment Option, our total share capital would be as follows:

Class	Number of Shares	Approximate percentage of share capital
Domestic Shares	8,009,518,539	83.50%
H Shares to be converted from Domestic Shares and offered by the Selling Shareholders pursuant to the Global Offering	143,900,000	1.50%
H Shares to be issued pursuant to the Global Offering	1,439,000,000	15.00%
Total share capital	9,592,418,539	100.00%

Assuming the Over-allotment Option is exercised in full, our total share capital would be as follows:

Class	Number of Shares	Approximate percentage of share capital
Domestic Shares	7,987,933,539	81.44%
H Shares to be converted from Domestic Shares and offered by the Selling Shareholders pursuant to the Global Offering	165,485,000	1.69%
H Shares to be issued pursuant to the Global Offering	1,654,850,000	16.87%
Total share capital	9,808,268,539	100.00%

OUR SHARES

The H Shares in issue upon completion of the Global Offering, and Domestic Shares, are ordinary shares in the registered share capital of our Bank. However, apart from certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong stock exchanges connectivity mechanism (Shanghai-Hong Kong Stock Connect) and the Shenzhen-Hong Kong stock exchanges connectivity mechanism (Shenzhen-Hong Kong Stock Connect) and other persons entitled to hold our H Shares pursuant to relevant PRC laws and regulations, or upon approval by any competent authorities, H Shares generally may not be subscribed for by, or traded between, legal or natural persons of the PRC.

Domestic Shares and H Shares are regarded as different classes of shares under our Articles of Association. The differences between Domestic Shares and H Shares, and the provisions on class rights, the dispatch of notices and financial reports to shareholders, dispute resolution, registration of Shares on different registers of shareholders, the method of share transfer and appointment of dividend receiving agents are set forth in our Articles of Association and summarized in Appendix V—"Summary of Articles of Association." The rights conferred on any class of shareholders may not be varied or abrogated unless approved by a special resolution at a Shareholders' general meeting and by holders of such class of shares at a separate Shareholders' general meeting. The circumstances which shall be deemed to be a variation or abrogation of the rights of a class of shareholders are listed in Appendix V—"Summary of Articles of Association." However, the procedures for approval by separate classes of shareholders do not apply: (i) where we issue, upon approval by a special resolution of the shareholders in a general meeting, shares representing no more than 20% of each of the existing issued Domestic Shares and H Shares, either separately or concurrently once every 12 months; (ii) where our plan to issue Domestic Shares and H Shares at the time of our establishment is implemented within 15 months from the date of approval by the securities regulatory authorities of the State Council; or (iii) where the conversion of our unlisted shares into overseas listed shares for listing and trading on overseas stock exchanges by our Shareholders upon the approval by the banking regulatory authorities and the securities regulatory authorities of the State Council.

Except for the differences above, Domestic Shares and H Shares will rank pari passu with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. All dividends in respect of the H Shares are to be declared in Renminbi and paid by us in Hong Kong Dollars whereas all dividends in respect of Domestic Shares are to be paid by us in Renminbi. In addition to cash, dividends may be distributed in the form of shares.

TRANSFER AND SALE OF STATE-OWNED SHARES

State-owned Shareholders are required to transfer to the NSSF such number of Shares in aggregate equivalent to 10% of the number of Offer Shares actually issued by our Bank in accordance with the relevant PRC rules regarding transfer of state-owned shares (being 143,900,000 H Shares before the exercise of the Over-allotment Option or 165,485,000 H Shares upon full exercise of the Over-allotment Option). Pursuant to the Approval Reply on Relevant Matters concerning State-owned Shareholding Transfer issued by the SASAC on November 29, 2016, the transfer of the relevant state-owned Shares held by our state-owned Shareholders to the NSSF was approved. At the time of the Listing, the aforesaid Domestic Shares will be converted into H Shares on a one-for-one basis. Our Bank and our state-owned Shareholders will not receive any amount in respect of the transfer to NSSF.

The conversion of those state-owned Shares transferred by state-owned Shareholders to the NSSF into H Shares was approved by CSRC on March 10, 2017. Pursuant to a letter issued by the NSSF (Shebaojijinhuihan [2017] No. 9) on March 6, 2017, the NSSF instructed us to (i) arrange for the sale of the Sale Shares, which shall equal to 10% of the number of the Offer Shares to be issued by our Bank, and (ii) remit the proceeds from the sale of the Sale Shares (after deducting the SFC transaction levy and Hong Kong Stock Exchange trading fee) to an account designated by the NSSF. We have been advised by King &Wood Mallesons, our PRC legal advisor, that the transfer, the conversion and the sale described above have been approved by the relevant authorities and are in compliance with PRC laws.

CONVERSION OF OUR DOMESTIC SHARES FOR LISTING AND TRADING ON THE HONG KONG STOCK EXCHANGE

According to the regulations by the securities regulatory authorities of the State Council and our Articles of Association, the holders of our non-listed Shares (prior to our Global Offering, all of our Shares are non-listed Domestic Shares) may convert such non-listed Shares they hold into overseas listed Shares. Such converted Shares may be listed or traded on an overseas stock exchange provided that the conversion and trading of such converted Shares shall have been approved by the relevant authorities, including CSRC. In addition, such conversion and trading shall have completed any requisite internal approval process and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant stock exchange.

If any Domestic Share is to be converted to H Shares and traded on the Hong Kong Stock Exchange, such conversion shall require the approval of the relevant PRC regulatory authorities, including CSRC. The listing and trading of such converted Shares on the Hong Kong Stock Exchange will also require the approval of the Hong Kong Stock Exchange.

Based on the procedures for the conversion and transfer of Domestic Shares into H Shares as disclosed below, we may apply for the listing of all or any portion of the Domestic Shares on the Hong Kong Stock Exchange as H Shares before any proposed conversion and transfer to ensure that the conversion and transfer process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No approval by separate class meeting is required for the listing and trading of such converted Shares on an overseas stock exchange. Any application for listing of the converted Shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion and transfer. After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Domestic Shares will be withdrawn from the China Securities Depository and Clearing Corporation Limited and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be on the conditions that (i) our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (ii) the admission of the H Shares to trade on the Hong Kong Stock Exchange complies with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

LOCK-UP PERIODS

Pursuant to the PRC Company Law, the Shares issued prior to any public offering of our Shares should not be transferred within one year from the date on which our publicly offered Shares are listed on the relevant stock exchange. Accordingly, the Shares issued by our Bank prior to the Listing Date (except those H Shares (converted from Domestic Shares) to be transferred by the state-owned Shareholders to the NSSF in accordance with relevant PRC regulations) shall be subject to such statutory restriction on transfer within a period of one year from the Listing Date.

Pursuant to the Notice from MOF, PBoC, CBRC, CSRC and CIRC regarding the holding of staff shares in financial institutions (《財政部、中國人民銀行、銀監會、證監會、保監會關於規範金融企業內部職工持股的通知》), senior management of our Bank, and other persons who hold more than 50,000 staff shares and have their shareholding verified, have undertaken not to transfer the Shares held by them within three years since the Listing Date. After the lapse of the lock-up period, the shares disposed of by each of these shareholders in each year shall not exceed 15% of their respective total shareholding in our Bank. The aggregate number of shares disposed by them within five years of the lapse of the lock-up period shall not exceed 50% of their respective total shareholdings in our Bank. According to the Companies Law, our Directors, Supervisors and senior management are not allowed to dispose of more than 25% of the total number of Shares they held each year during their terms of office. The Shares they held shall not be disposed of within one year from the date of the Listing. These persons are also not allowed to dispose of any Shares within half a year from the date they left the employment of our Bank.

SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

For details of circumstances under which our Shareholders' general meeting and Shareholders' class meeting are required, see paragraphs "Notice of Meetings and Matters to be Considered" and "Change of Rights of Existing Shares or Classes of Shares" in Appendix V—"Summary of Articles of Association."

You should read the discussion and analysis set forth in this section in conjunction with our consolidated financial statements, together with the accompanying notes included in Appendix I—"Accountants' Report." Our consolidated financial statements have been prepared in accordance with IFRS.

ASSETS

Our total assets increased by 24.9% from RMB466,608 million as of December 31, 2014 to RMB582,807 million as of December 31, 2015, which further increased by 13.4% to RMB660,951 million as of December 31, 2016. The principal components of our assets consist of (i) loans to customers (net) and (ii) financial investments (net), representing 36.0% and 28.8% of our total assets as of December 31, 2016, respectively. The following table sets forth, as of the dates indicated, the components of our total assets.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Gross loans and advances to customers[(1)]	185,981		223,659		245,891	
Allowance for impairment losses	(5,261)		(6,879)		(7,956)	
Loans and advances to customers, net	180,720	38.7%	216,780	37.2%	237,935	36.0%
Financial investments (net)						
Available-for-sale financial assets	45,459	9.8	72,123	12.3	88,278	13.4
Held-to-maturity investments	8,551	1.8	18,434	3.2	25,782	3.9
Receivables	40,718	8.7	47,137	8.1	76,013	11.5
Subtotal	94,728	20.3	137,694	23.6	190,073	28.8
Cash and balances with central bank	78,636	16.9	82,151	14.1	83,023	12.6
Financial assets at fair value through profit or loss	1,470	0.3	51,810	8.9	35,980	5.4
Deposits with banks and other financial institutions	32,226	6.9	49,482	8.5	18,381	2.8
Placements with banks and other financial institutions	10,940	2.3	1,687	0.3	3,911	0.6
Reverse repurchase agreements	60,961	13.1	34,177	5.9	79,963	12.1
Others[(2)]	6,927	1.5	9,026	1.5	11,685	1.7
Total assets	**466,608**	**100.0%**	**582,807**	**100.0%**	**660,951**	**100.0%**

(1) For ease of reference, in this prospectus, unless otherwise indicated, we use the terms "loans and advances to customers," "loans" and "loans to customers" synonymously.

(2) Consists primarily of interest receivables, deferred income tax assets, property and equipment, repossessed assets and receivables and prepayments.

Loans to Customers

Loans to customers are the largest component of our assets. Our loans to customers, net of allowance for impairment losses, represented 38.7%, 37.2% and 36.0% of our total assets as of December 31, 2014, 2015 and 2016, respectively. We provide a broad range of loan products to our customers through our widespread distribution network. Substantially all of our loans to customers are denominated in Renminbi. The following discussion is based on our gross loans to customers, before taking into account the related allowance for impairment losses, rather than our net loans to customers. Our loans to customers are reported net of the allowance for impairment losses on our consolidated statements of financial position.

Our gross loans to customers increased by 20.3% from RMB185,981 million as of December 31, 2014 to RMB223,659 million as of December 31, 2015, primarily attributable to an increase in our corporate loans and, to a lesser extent, an increase in our personal loans. Our gross loans to customers increased by 9.9% from RMB223,659 million as of December 31, 2015 to RMB245,891 million as of December 31, 2016 due to increases in our corporate loans, discounted bills, as well as personal loans.

Distribution of Loans by Business Line

Our loans to customers consist primarily of corporate loans, personal loans and discounted bills. For a description of the loan products we offer, see "Business—Our Principal Businesses." The following table sets forth, as of the dates indicated, the distribution of our loans to customers by business line.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Corporate loans	119,771	64.4%	146,421	65.5%	152,567	62.0%
Personal loans	61,650	33.1	72,680	32.5	81,328	33.1
Discounted bills	4,560	2.5	4,558	2.0	11,996	4.9
Total loans to customers	**185,981**	**100.0%**	**223,659**	**100.0%**	**245,891**	**100.0%**

Corporate Loans

Corporate loans are the largest component of our loan portfolio, representing 64.4%, 65.5% and 62.0% of our total loans to customers as of December 31, 2014, 2015 and 2016, respectively. Our corporate loans increased by 22.3% from RMB119,771 million as of December 31, 2014 to RMB146,421 million as of December 31, 2015, primarily attributable to an increase in our working capital loans. Our corporate loans increased by 4.2% from RMB146,421 million as of December 31, 2015 to RMB152,567 million as of December 31, 2016, primarily attributable to increases in fixed asset loans and financial lease receivables, which were partially offset by a decrease in working capital loans.

Distribution of Corporate Loans by Product Type

The following table sets forth, as of the dates indicated, the distribution of our corporate loans by product type. For details of each type of our corporate loans, see "Business—Our Principal Businesses—Corporate Banking Business—Major Products and Services—Corporate Loans."

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Working capital loans	79,105	66.1%	94,332	64.4%	89,105	58.4%
Fixed asset loans	40,282	33.6	44,918	30.7	52,528	34.4
Financial lease receivables	—	—	6,915	4.7	10,633	7.0
Others(1)	384	0.3	256	0.2	301	0.2
Total corporate loans	**119,771**	**100.0%**	**146,421**	**100.0%**	**152,567**	**100.0%**

(1) Consists of advances incurred under bank acceptances, guarantees issued and letters of credit.

Working capital loans are the largest component of our corporate loans, representing 66.1%, 64.4% and 58.4% of our total corporate loans as of December 31, 2014, 2015 and 2016, respectively. Our working capital loans increased by 19.2% from RMB79,105 million as of December 31, 2014 to RMB94,332 million as of December 31, 2015, primarily reflecting our customers' increased demands for working capital loans and an increase in our working capital loans extended to small and medium enterprises. Our working capital loans decreased by 5.5% from RMB94,332 million as of December 31, 2015 to RMB89,105 million as of December 31, 2016, primarily reflecting a decrease in our customers' demands for working capital loans as a result of the slowdown of economic growth and our tightened credit policy towards customers in the wholesale and retail industry and the manufacturing industry, which were sensitive to the slowdown of economic growth.

Fixed asset loans represented 33.6%, 30.7% and 34.4% of our total corporate loans as of December 31, 2014, 2015 and 2016, respectively. Our fixed asset loans increased by 11.5% from RMB40,282 million as of December 31, 2014 to RMB44,918 million as of December 31, 2015, which further increased by 16.9% to RMB52,528 million as of December 31, 2016, primarily reflecting our increased allocation of funds to fixed asset loans to large and medium enterprises with strong creditworthiness and risks resistance capacity.

Financial lease receivables consist of accounts receivables generated from the financial leasing business by our subsidiary, Zhujiang Financial Leasing Co., Ltd., which was established in December 2014. As of December 31, 2015 and 2016, financial lease receivables amounted to RMB6,915 million and RMB10,633 million, respectively, representing 4.7% and 7.0% of our total corporate loans, respectively. The increase in financial lease receivables primarily reflected the growth in our newly started financial leasing business.

Distribution of Corporate Loans by Industry

Our corporate loans consist of loans to customers in a broad range of industries. The following table sets forth, as of the dates indicated, the distribution of our corporate loans by industry.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Wholesale and retail	25,056	20.9%	29,917	20.4%	25,938	17.0%
Real estate	16,712	14.0	18,947	12.9	24,791	16.2
Leasing and commercial services	15,905	13.3	20,148	13.8	24,015	15.7
Manufacturing	20,740	17.3	23,637	16.1	23,679	15.5
Construction	6,592	5.5	9,176	6.3	9,876	6.5
Water, environment and public utility management	8,819	7.4	8,579	5.9	8,059	5.3
Hotel and catering	6,075	5.1	6,941	4.7	7,551	5.0
Transportation, storage and postal services	5,685	4.7	6,953	4.7	6,454	4.2
Agriculture, forestry, husbandry and fishery	1,965	1.6	3,665	2.5	4,347	2.9
Information transmission, software and information technology services	2,201	1.8	4,179	2.9	2,950	1.9
Education	1,760	1.5	2,244	1.5	2,564	1.7
Health and social services	140	0.1	1,739	1.2	2,494	1.6
Residential services, maintenance and other services	2,849	2.4	3,123	2.1	2,188	1.4
Production and supply of electricity, heat, gas and water	835	0.7	1,467	1.0	2,060	1.4
Others[1]	4,437	3.7	5,706	4.0	5,601	3.7
Total corporate loans	**119,771**	**100.0%**	**146,421**	**100.0%**	**152,567**	**100.0%**

(1) Consist primarily of the culture, sports and entertainment industry.

The aggregate amount of loans to our borrowers in (i) the wholesale and retail industry, (ii) the real estate industry, (iii) the leasing and commercial services industry, (iv) the manufacturing industry, and (v) the construction industry, being the top five industries in terms of our aggregate loans as of December 31, 2016, represented 71.0%, 69.5% and 70.9% of our total corporate loans as of December 31, 2014, 2015 and 2016, respectively.

Our loans to corporate borrowers in the wholesale and retail industry represented 20.9%, 20.4% and 17.0% of our total corporate loans as of December 31, 2014, 2015 and 2016, respectively. Our loans to corporate borrowers in the wholesale and retail industry increased by 19.4% from RMB25,056 million as of December 31, 2014 to RMB29,917 million as of December 31, 2015, primarily reflecting our increased credit support to small and medium enterprises in this industry. Our loans to corporate borrowers in the wholesale and retail industry decreased by 13.3% from RMB29,917 million as of December 31, 2015 to RMB25,938 million as of December 31, 2016, primarily reflecting our tightened credit policy towards corporate borrowers engaging in the trade business in light of the slowdown of economic growth.

Our loans to corporate borrowers in the real estate industry decreased, as a percentage of our total corporate loans, from 14.0% as of December 31, 2014 to 12.9% as of December 31, 2015, primarily due to our reduced credit extension to certain small real estate developers with insufficient business experience as a part of our enhanced risk management. Our loans to corporate borrowers in the real estate industry increased, as a percentage of our total corporate loans, from 12.9% as of December 31, 2015 to 16.2% as of December 31, 2016, primarily reflecting our increased allocation of funds to fixed asset loans, which were of relatively low risks, to certain large and medium corporate borrowers in the real estate industry in light of the slowdown of economic growth.

Our loans to corporate borrowers in the leasing and commercial services industry represented 13.3%, 13.8% and 15.7% of our total corporate loans as of December 31, 2014, 2015 and 2016, respectively. These loans increased by 26.7% from RMB15,905 million as of December 31, 2014 to RMB20,148 million as of December 31, 2015, which further increased by 19.2% to RMB24,015 million as of December 31, 2016. The continued increase in these loans, both in absolute terms and as a percentage of our total corporate loans, primarily reflected the expansion of our customer base in the leasing and commercial services industry.

Our loans to corporate borrowers in the manufacturing industry decreased, as a percentage of our total corporate loans, from 17.3% as of December 31, 2014 to 16.1% as of December 31, 2015, which further decreased to 15.5% as of December 31, 2016, primarily reflecting our prudent credit policy towards such borrowers in light of the slowdown of economic growth.

Distribution of Corporate Loans by Exposure Size

The following table sets forth, as of the dates indicated, distribution of our corporate loans to borrowers by exposure size.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Up to RMB2 million	2,856	2.4%	3,107	2.1%	2,991	2.0%
Over RMB2 million up to RMB10 million	23,411	19.5	24,844	17.0	24,017	15.7
Over RMB10 million up to RMB35 million	27,730	23.2	32,082	21.9	29,040	19.0
Over RMB35 million up to RMB100 million	28,999	24.2	35,136	24.0	33,334	21.8
Over RMB100 million up to RMB500 million	31,255	26.1	42,587	29.1	48,275	31.7
Over RMB500 million	5,520	4.6	8,665	5.9	14,910	9.8
Total corporate loans	**119,771**	**100.0%**	**146,421**	**100.0%**	**152,567**	**100.0%**

Our loan exposure to corporate borrowers over RMB100 million increased, as a percentage of our corporate loan portfolio, from 30.7% as of December 31, 2014, to 35.0% as of December 31, 2015, which further increased to 41.5% as of December 31, 2016. The continued increase in these loans as a percentage of our total corporate loans primarily reflected our continued efforts to refine our customer base by increasing our marketing efforts towards large and medium enterprises with strong creditworthiness and risk resistance capacity.

Distribution of Corporate Loans by Size of Borrowers

The following table sets forth, as of the dates indicated, distribution of our corporate loans by size of borrowers.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Large enterprises(1)	22,953	19.2%	24,940	17.0%	32,594	21.4%
Medium enterprises(1)	44,850	37.4	60,469	41.3	53,112	34.8
Small enterprises(1)	34,035	28.4	47,329	32.3	44,046	28.9
Micro enterprises(1)	9,267	7.7	6,726	4.6	9,697	6.4
Others(2)	8,666	7.3	6,957	4.8	13,118	8.6
Total corporate loans	**119,771**	**100.0%**	**146,421**	**100.0%**	**152,567**	**100.0%**

(1) The classification criteria for large, medium, small and micro enterprises are set out by the Classification Standards of Small and Medium Enterprises. For details, see "Definitions and Conventions."
(2) Consists primarily of loans to governments and public institutions.

Our loans to large and medium enterprises increased by 26.0% from RMB67,803 million as of December 31, 2014 to RMB85,409 million as of December 31, 2015, primarily reflecting our increased marketing efforts towards large and medium enterprise customers with strong creditworthiness and risk resistance capacity and the growth in our financial leasing business with large and medium enterprise customers. These loans remained relatively stable at RMB85,706 million as of December 31, 2016.

Our loans to small and micro enterprises increased by 24.8% from RMB43,302 million (representing 36.2% of our total corporate loans) as of December 31, 2014 to RMB54,055 million (representing 36.9% of our total corporate loans) as of December 31, 2015, primarily reflecting our increased credit support to small and micro enterprises and the expansion of our small and micro enterprise customer base. These loans remained relatively stable at RMB53,743 million as of December 31, 2016, representing 35.2% of our total corporate loans.

Personal Loans

Personal loans represented 33.1%, 32.5% and 33.1% of our total loans to customers as of December 31, 2014, 2015 and 2016, respectively. Our personal loans increased by 17.9% from RMB61,650 million as of December 31, 2014 to RMB72,680 million as of December 31, 2015, primarily attributable to increases in our personal consumption loans and personal business loans. Our personal loans increased by 11.9% from RMB72,680 million as of December 31, 2015 to RMB81,328 million as of December 31, 2016, primarily attributable to an increase in our residential mortgage loans, which was partially offset by a decrease in our personal business loans.

Distribution of Personal Loans by Product Type

The table below sets forth, as of the dates indicated, the distribution of our personal loans by product type.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Residential mortgage loans	25,164	40.8%	26,882	37.0%	34,016	41.8%
Personal business loans	29,026	47.1	32,566	44.8	28,946	35.6
Personal consumption loans	4,597	7.5	8,971	12.3	11,936	14.7
Credit card balances	2,863	4.6	4,261	5.9	6,430	7.9
Total personal loans	**61,650**	**100.0%**	**72,680**	**100.0%**	**81,328**	**100.0%**

Residential mortgage loans represented 40.8%, 37.0% and 41.8% of our personal loans as of December 31, 2014, 2015 and 2016, respectively. Residential mortgage loans increased by 6.8% from RMB25,164 million as of December 31, 2014 to RMB26,882 million as of December 31, 2015, which further increased by 26.5% to RMB34,016 million as of December 31, 2016, primarily reflecting our efforts to grow our residential mortgage loan business to meet the increased demands for these loans and to acquire a steady source of retail customers.

Personal business loans represented 47.1%, 44.8% and 35.6% of our personal loans as of December 31, 2014, 2015 and 2016, respectively. Personal business loans increased by 12.2% from RMB29,026 million as of December 31, 2014 to RMB32,566 million as of December 31, 2015, primarily reflecting our increased credit support to private business owners to meet their funding needs. Personal business loans decreased by 11.1% from RMB32,566 million as of December 31, 2015 to RMB28,946 million as of December 31, 2016, primarily reflecting a decrease in market demands for, and our decreased allocation of funds to, these loan products in light of the slowdown of economic growth.

Personal consumption loans represented 7.5%, 12.3% and 14.7% of our personal loans as of December 31, 2014, 2015 and 2016, respectively. Personal consumption loans almost doubled from RMB4,597 million as of December 31, 2014 to RMB8,971 million as of December 31, 2015, which further increased by 33.1% to RMB11,936 million as of December 31, 2016. The continued increase in personal consumption loans, both in absolute terms and as a percentage of our total personal loans, was primarily due to our increased efforts to grow our personal consumption loan business to meet the increased market demands.

Credit card balances represented 4.6%, 5.9% and 7.9% of our personal loans as of December 31, 2014, 2015 and 2016, respectively. Our credit card balances increased by 48.8% from RMB2,863 million as of December 31, 2014 to RMB4,261 million as of December 31, 2015, which further increased by 50.9% to RMB6,430 million as of December 31, 2016. The continued increase in credit card balances, both in absolute terms and as a percentage of our total personal loans, was primarily due to an increase in the number of credit cards we issued, reflecting our efforts to grow our credit card business.

Distribution of Personal Loans by Exposure Size

The following table sets forth, as of the dates indicated, the distribution of our personal loans by exposure size.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Up to RMB500,000	20,563	33.4%	23,749	32.7%	27,821	34.2%
Over RMB500,000 up to RMB5 million	33,693	54.6	41,498	57.1	46,488	57.2
Over RMB5 million	7,394	12.0	7,433	10.2	7,019	8.6
Total personal loans	**61,650**	**100.0%**	**72,680**	**100.0%**	**81,328**	**100.0%**

Personal loans up to RMB500,000 decreased, as a percentage of our personal loan portfolio, from 33.4% as of December 31, 2014 to 32.7% as of December 31, 2015, primarily due to a decrease in residential mortgage loans up to RMB500,000 as a percentage of our total personal loans. Personal loans up to RMB500,000 increased, as a percentage of our personal loan portfolio, to 34.2% as of December 31, 2016, primarily attributable to an increase in credit card balances.

Personal loans over RMB5 million decreased, as a percentage of our personal loan portfolio, from 12.0% as of December 31, 2014 to 10.2% as of December 31, 2015, which further decreased to 8.6% as of December 31, 2016. The decrease in these loans as a percentage of our total personal loans was primarily attributable to a decrease in personal business loans over RMB5 million as a percentage of our total personal loans, reflecting our prudent credit policy to moderate our risk exposure in light of the slowdown of economic growth.

Discounted Bills

Discounted bills represented 2.5%, 2.0% and 4.9% of our total loans to customers as of December 31, 2014, 2015 and 2016, respectively.

The following table sets forth, as of the dates indicated, the distribution of our discounted bills by type of obligor.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Bank acceptance bills	4,299	94.3%	1,459	32.0%	7,671	63.9%
Commercial acceptance bills	261	5.7	3,099	68.0	4,325	36.1
Total discounted bills	**4,560**	**100.0%**	**4,558**	**100.0%**	**11,996**	**100.0%**

Our discounted bills remained relatively stable at RMB4,560 million and RMB4,558 million as of December 31, 2014 and 2015, respectively. Our discounted bills more than doubled from RMB4,558 million as of December 31, 2015 to RMB11,996 million as of December 31, 2016, primarily attributable to a significant increase in discounted bank acceptance bills.

Our discounted bank acceptance bills decreased by 66.1% from RMB4,299 million as of December 31, 2014 to RMB1,459 million as of December 31, 2015, primarily reflecting our increased allocation of funds to other assets with relatively higher yields. Our discounted bank acceptance bills increased significantly from RMB1,459 million as of December 31, 2015 to RMB7,671 million as of December 31, 2016, primarily due to our shift of business model for our bill rediscounting business from primarily using bill reverse repurchases to primarily using buy-out bill discounting products.

Our discounted commercial acceptance bills increased significantly from RMB261 million as of December 31, 2014, to RMB3,099 million as of December 31, 2015, which further increased by 39.6% to RMB4,325 million as of December 31, 2016, primarily reflecting our increased allocation of funds to commercial acceptance bill discounting, which had relatively high yields.

Distribution of Loans to Customers by Geographical Region

We classify loans geographically based on the location of the outlets that originate the loans. Our outlets generally originate loans to borrowers located in the same geographical areas. The following table sets forth, as of the dates indicated, the distribution of our loan portfolio by geographical region.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Guangzhou	173,466	93.3%	203,179	90.8%	218,142	88.7%
Outside Guangzhou[1]	12,515	6.7	20,480	9.2	27,749	11.3
Total loans to customers	**185,981**	**100.0%**	**223,659**	**100.0%**	**245,891**	**100.0%**

(1) Represents loans to customers extended by our branches, sub-branches and Zhujiang County Banks outside Guangzhou. For details on the distribution of our branches, sub-branches and Zhujiang County Banks, see "Business—Distribution Network."

We operate our loan business primarily in Guangzhou. Our loans to customers originated in Guangzhou represented 93.3%, 90.8% and 88.7% of our total loans to customers as of December 31, 2014, 2015 and 2016. Our loans to customers originated in Guangzhou increased by 17.1% from RMB173,466 million as of December 31, 2014 to RMB203,179 million as of December 31, 2015, which further increased by 7.4% to RMB218,142 million as of December 31, 2016. The continued increase in these loans primarily reflected the overall growth in our loan business.

Loans to customers outside Guangzhou increased by 63.6% from RMB12,515 million (representing 6.7% of our total loans to customers) as of December 31, 2014 to RMB20,480 million (representing 9.2% of our total loans to customers) as of December 31, 2015, which further increased by 35.5% to RMB27,749 million as of December 31, 2016 (representing 11.3% of our total loans to customers). The continued increase in these loans, both in absolute amounts and as a percentage of our loan portfolio, primarily reflected the expansion of our distribution network outside Guangzhou.

Distribution of Loans by Type of Collateral

Loans secured by mortgages or pledges together with guaranteed loans in aggregate represented 93.0%, 92.9% and 90.9% of our total loan portfolio as of December 31, 2014, 2015 and 2016, respectively. If a loan is secured by more than one form of collateral, the classification is based on the primary form of collateral. The following table sets forth, as of the dates indicated, the distribution of our loan portfolio by type of collateral.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Loans secured by mortgages[(1)(2)]	124,207	66.8%	138,602	62.0%	152,948	62.2%
Loans secured by pledges[(1)(3)]	18,566	10.0	31,118	13.9	25,347	10.3
Guaranteed loans[(4)]	30,161	16.2	38,017	17.0	45,333	18.4
Credit loans[(5)]	13,047	7.0	15,922	7.1	22,263	9.1
Total loans to customers	**185,981**	**100.0%**	**223,659**	**100.0%**	**245,891**	**100.0%**

(1) Represents the total amount of loans wholly or partly secured by collateral in each category.
(2) Represents security interests in tangible assets other than monetary assets, such as buildings and fixtures, land use rights, machines, equipment and vehicles, without taking possession.
(3) Represents security interests in intangible assets or monetary assets, such as movable assets, certificates of deposit, financial instruments, intellectual properties and interests in future cash flows, by taking possession of or registering against such assets.
(4) Represents the total amount of loans wholly or partly guaranteed.
(5) Represents the total amount of loans that are neither secured by mortgages or pledges nor guaranteed.

Loans to customers secured by mortgages or pledges represented 76.8%, 75.9% and 72.5% of our total loan portfolio as of December 31, 2014, 2015 and 2016, respectively. The high percentage of these loans in our loan portfolio primarily reflected our prudent risk management policies. These loans increased by 18.9% from RMB142,773 million as of December 31, 2014 to RMB169,720 million as of December 31, 2015, which further increased by 5.1% to RMB178,295 million as of December 31, 2016. The increase in these loans primarily reflected the overall growth in our loan portfolio.

Credit loans represented 7.0%, 7.1% and 9.1% of our total loans to customers as of December 31, 2014, 2015 and 2016, respectively. Credit loans are extended to customers with relatively strong creditworthiness and credentials based on our internal credit risk review policies and procedures.

Borrowers Concentration

In accordance with applicable PRC banking laws and regulations, our Bank is subject to a lending limit of 10% of our consolidated and unconsolidated regulatory capital, whichever is lower, to any single borrower, and each individual Zhujiang County Bank is subject to a lending limit of 10% of their own regulatory capital to any single borrower. See "Supervision and Regulation—Other Operational and Risk Management Ratios." Our Bank or the loan-extending Zhujiang County Bank individually examines its respective outstanding loan balance to a loan applicant prior to credit approval, and we review each Zhujiang County Bank's loan concentration ratios on a monthly basis, to ensure compliance with the 10% lending limit. The following table sets forth, as of the date indicated, our outstanding loans to our ten largest single borrowers, all of which were classified as normal as of the date indicated.

	As of December 31, 2016				
	Industry	**Amount**	**% of total loans**	**% of regulatory capital(1)**	**Classification**
	(in millions of RMB, except percentages)				
Borrower A	Wholesale and retail	2,850	1.16%	6.29%	Normal
Borrower B	Real estate	2,484	1.01	5.49	Normal
Borrower C	Hotel and catering	2,350	0.96	5.19	Normal
Borrower D	Water, environment and public utility management	2,291	0.93	5.06	Normal
Borrower E	Water, environment and public utility management	1,920	0.78	4.24	Normal
Borrower F	Real estate	1,760	0.72	3.89	Normal
Borrower G	Information transmission, software and information technology services	1,455	0.59	3.21	Normal
Borrower H	Construction	1,445	0.59	3.19	Normal
Borrower I	Hotel and catering	1,416	0.58	3.13	Normal
Borrower J	Leasing and commercial services	1,200	0.49	2.65	Normal
Total		**19,171**	**7.81%**	**42.34%**	

(1) Represents loan balances as a percentage of our regulatory capital, calculated in accordance with the requirements of the Capital Adequacy Regulations and based on our financial statements prepared in accordance with PRC GAAP. For a calculation of our regulatory capital as of December 31, 2016, see "Financial Information—Capital Resources—Capital Adequacy."

In accordance with applicable PRC banking guidelines, our Bank is subject to a lending limit of 15% of our consolidated and unconsolidated regulatory capital, whichever is lower, to any single group borrower, and each individual Zhujiang County Bank is subject to a credit limit of 15% of their own regulatory capital to any single group borrower. Our Bank or the loan-extending Zhujiang County Bank individually examines its respective outstanding loan balance to a loan applicant and its group members prior to credit approval, and we review each Zhujiang County Bank's loan concentration ratios on a monthly basis, to ensure compliance with the 15% lending limit. The following table sets forth, as of the date indicated, our credit exposure to our ten largest group borrowers, all of which were classified as normal as of the date indicated.

	As of December 31, 2016			
	Industry	**Amount**	**% of regulatory capital(1)**	**Classification**
	(in millions of RMB, except percentages)			
Group A	Hotel and catering	3,766	8.32%	Normal
Group B	Real estate	2,808	6.20	Normal
Group C	Leasing and commercial services	2,560	5.65	Normal
Group D	Water, environment and public utility management	2,500	5.52	Normal
Group E	Leasing and commercial services	2,460	5.43	Normal
Group F	Water, environment and public utility management	2,291	5.06	Normal
Group G	Real estate	2,085	4.61	Normal
Group H	Conglomerate	1,929	4.26	Normal
Group I	Water, environment and public utility management	1,920	4.24	Normal
Group J	Real estate	1,760	3.89	Normal
Total		**24,078**	**53.18%**	

(1) Represents loan balances as a percentage of our regulatory capital, calculated in accordance with the requirements of the Capital Adequacy Regulations and based on our financial statements prepared in accordance with PRC GAAP. For a calculation of our regulatory capital as of December 31, 2016, see "Financial Information—Capital Resources—Capital Adequacy."

Maturity Profile of Loan Portfolio

The following table sets forth, as of the date indicated, the distribution of our loan products by remaining maturity.

	As of December 31, 2016					
	Overdue(1)	Due 3 months or less	Due over 3 months up to 12 months	Due over 1 year up to 5 years	Due more than 5 years	Total
			(in millions of RMB)			
Corporate loans						
Working capital loans	4,072	14,419	47,617	20,538	2,459	89,105
Fixed asset loans	1,137	2,023	5,333	28,653	15,382	52,528
Financial lease receivables	—	632	2,194	7,596	211	10,633
Others(2)	301	—	—	—	—	301
Subtotal	5,510	17,074	55,144	56,787	18,052	152,567
Personal loans						
Residential mortgage loans	450	591	1,766	9,078	22,131	34,016
Personal business loans	2,141	4,450	14,830	7,472	53	28,946
Personal consumption loans	286	845	2,429	7,472	904	11,936
Credit card balances	357	5,095	758	220	—	6,430
Subtotal	3,234	10,981	19,783	24,242	23,088	81,328
Discounted bills						
Bank acceptance bills	—	4,667	3,004	—	—	7,671
Commercial acceptance bills	—	318	4,007	—	—	4,325
Subtotal	—	4,985	7,011	—	—	11,996
Total	**8,744**	**33,040**	**81,938**	**81,029**	**41,140**	**245,891**

(1) Represents the principal amount of loans on which principal or interest is overdue.
(2) Consists of advances incurred under bank acceptances, guarantees issued and letters of credit.

As indicated in the above table, 46.8% of our loans to customers as of December 31, 2016 had remaining maturities of up to one year, most of which were short-term working capital loans. As of December 31, 2016, 47.3% of our corporate loans had remaining maturities of up to one year, primarily attributable to our working capital loans. As of December 31, 2016, 37.8% of our personal loans had remaining maturities of up to one year primarily attributable to our personal business loans.

Loan Interest Rate Profile

In recent years, PBoC has implemented a series of initiatives to gradually liberalize interest rates and move towards a more market-based interest rate regime. On July 20, 2013, PBoC removed the floor rates for RMB-denominated loans (except for interest rates on residential mortgage loans) and allowed commercial banks in China to set interest rates based on commercial considerations. As of December 31, 2016, our loans to customers with contract maturity of up to one year generally had fixed interest rates, and our loans to customers with contract maturity of over one year generally had floating interest rates. For a majority of our loans with floating interest rates, we adjust our interest rates annually.

Interest rates for residential mortgage loans have been set at no less than 70% of the PBoC benchmark lending rate since October 27, 2008; interest rates for residential mortgage loans to second-home buyers are required to be no less than 110% of the PBoC benchmark lending rate since April 17, 2010. See "Supervision and Regulation—Pricing of Products and Services."

Asset Quality of Our Loan Portfolio

We measure and monitor the asset quality of our loans to customers through our loan classification system. Pursuant to the Guidelines on Risk-Based Classification of Loans (《貸款風險分類指引》) published by CBRC on July 3, 2007, the principal determination in classifying a loan should be based on the assessment of the repayment ability of the borrower. We classify our loans using a five-category loan classification system, which complies with the CBRC guidelines. See "Supervision and Regulation—Loan Classification, Allowances and Write-offs—Loan Classification."

Loan Classification Criteria

In determining the classification of our loan portfolio, we apply a series of criteria that are derived from the CBRC guidelines. These criteria are designed to assess the likelihood of repayment by the borrower and the collectability of principal and interest on the loan.

Corporate Loans and Discounted Bills

Our corporate loan and discounted bill classification criteria focus on a number of factors, to the extent applicable, including (i) the borrower's ability to repay the loan, based on such factors as the borrower's cash flows, financial condition, profitability and other non-financial factors affecting the borrower's repayment ability; (ii) the borrower's repayment history; (iii) the borrower's willingness to repay; (iv) the profitability of the project financed by our loans; (v) the net realizable value of any collateral and the prospect for support from any guarantor; and (vi) the enforceability of our claims. The key factors for each loan classification are listed below. This is not intended to be a complete list of all factors taken into account in classifying our loans. See "Risk Management—Credit Risk Management—Credit Risk Management for Corporate Loans—Post-disbursement Management—Loan Classification."

Normal. Loans are classified as normal only if the borrower can honor the terms of its loans and there is no sufficient reason to doubt its ability to repay the principal and interest in full on a timely basis.

Special Mention. Loans should be classified as special mention if the borrower is able to service its loans currently with its business revenues and, when necessary, through foreclosure on collateral, although repayment may be adversely affected by specific factors, such as:

- the borrower's operations are adversely affected by changes in the political, economic, market, industrial, legal or regulatory environment, or the borrower engages in high-risk industries;
- there is a delay or budget overflow in core projects or material investments of the borrower, or there are material changes in the project funded by the loan that may adversely affect the repayment of the loan;
- the loan proceeds are misappropriated into high-risk areas such as investment in the stock market or illegal lendings;
- the payment of interest on, or principal of, the loan is overdue for up to 90 days, or up to 30 days for off-balance sheet advances;

- the borrower has recorded net losses for consecutive three months, or the operations and management of the borrower face material difficulties that may adversely affect the repayment of the loan;
- there are manifest flaws in the financial documents provided, or the borrower refuses to cooperate with us, which may affect our abilities to assess, or regularly update our assessment, of the borrower's repayment abilities;
- there are material adverse changes (including financial disputes, litigations or withdrawal of investment) in the major shareholder, affiliates, parent or subsidiary of the borrower, which may affect the borrower's repayment abilities;
- the borrower is involved in a spin-off, merger, lease, contract, joint venture or reorganization, or there are material changes in the management of the borrower, which may have an adverse impact on the repayment of the loan, or there are evidence that the borrower may intended to evade repaying the loan through merger, restructure or spin-off;
- the contingent liabilities or total borrowings of the borrower increase rapidly without reasonable explanation, or the dividend payment is not in line with its profit, which may affect the borrower's repayment abilities;
- the creditworthiness of the guarantor of a guaranteed loan is compromised, or the value of the collateral of a loan decrease by 10% or more;
- the borrower disposes of its assets, or fulfills its guarantees, which may adversely affect the operations of the borrower; or
- there are abnormal changes in the core financial indicator of the borrower, including debt-to-asset ratio, profit ratio, operating revenue of core business, cash flow from operating activities, etc., or the borrower's settlement amount or cash flow with us continues to decrease.

Substandard. Loans should be classified as substandard if the borrower's ability to service its loans is in question as it cannot rely entirely on its normal business revenues to repay the principal and interest, and losses of up to 30% of the loan may ensue even when collateral or guarantees are invoked. Loans classified as substandard generally demonstrate the following characteristics:

- the borrower incurs operating losses in a large amount, encounters payment difficulties and lacks other funding sources;
- the borrower has to dispose of its key fixed assets for production and operations in order to maintain its business, or has to dispose of the collateral or call on the guarantor to repay its debt;
- the borrower obtained the loan by concealing key facts or other inappropriate methods;
- the borrower engages in a material violation of law;
- the borrower encounters management difficulties that cause substantive harm to its operations and interferes with the timely and full repayment of the loan;
- the loan documents are incomplete, or a key legal document is missing, which has substantive effect on the repayment of the loan;
- the borrower is classified as doubtful regarding its loans from other financial institutions;
- the interest on, or principal of, the loan is overdue for 91 days or more and up to 180 days, or 31 days or more and up to 90 days for off-balance sheet advances.

Doubtful. Loans should be classified as doubtful if the borrower cannot repay the principal and interest in full and significant losses (over 30% and up to 90% of the loan) is expected even when collateral or guarantees are invoked. Loans in the doubtful category generally demonstrate the following characteristics:

- all or part of the borrower's operations is suspended, or the project funded by the loan is suspended or postponed;
- the borrower's total debt substantially exceeds its total assets;
- the borrower is being dissolved;
- the borrower or its legal representative is involved in major law suits, which materially affects the borrower's operations;
- the borrower's debt to us is not recognized after the borrower's reorganization, or, although such debt is recognized, the borrower is unable to make interest or principal payments on a timely basis and in full;
- the borrower's loans at other financial institutions are classified as loss;
- the interest on, or principal of, the loan is overdue for 181 days or more, or 91 days or more for off-balance sheet advances.

Loss. Loans should be classified as loss if only a minimal portion or no principal and interest could be recovered after all possible measures have been taken and all legal remedies have been exhausted, or our loss on the loan is expected to exceed 90% of the loan.

Personal Loans

In applying the loan classification criteria to personal loans, we primarily consider the type of the loan, the length of time by which payments of principal or interest are overdue and the type and value of the collateral. We classify our personal loans into four categories, including (i) general agricultural loans and student loans, (ii) residential mortgage and auto loans, (iii) credit card balances, and (iv) other personal loans.

General Agricultural Loans and Student Loans

General agricultural loans and student loans include (i) loans to agriculture households, (ii) unsecured agricultural micro loans (農戶小額信用貸款), (iii) jointly guaranteed agricultural loans (農戶聯保貸款), and (iv) student loans. Unsecured agricultural micro loans include our specialized micro loan products offered to rural resident customers. Jointly guaranteed agricultural loans are loans to individual members of certain groups of rural resident customers that are jointly guaranteed by all members of the respective group. Loans to agriculture households are our general agricultural loans that are not classified as unsecured agricultural micro loans, jointly guaranteed agricultural loans or student loans. When assessing these loans, we consider the credit rating of the borrower as determined in accordance with the Guangdong Rural Credit Cooperative Guidelines for Unsecured Agricultural Micro Loans (《廣東省農村信用社農戶小額信用貸款指引》), as well as the length of time by which payments of principal or interest are overdue and the type of collateral. The following table sets forth the five-category classification of our general agricultural loans and student loans to borrowers with excellent credit ratings by overdue period of principal or interest and type of collateral.

		Overdue for					
	Current	Up to 60 days	61 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 360 days
Loans secured by mortgages	Normal	Normal	Normal	Special mention	Substandard	Doubtful	Doubtful
Loans secured by pledges	Normal	Normal	Normal	Special mention	Substandard	Substandard	Doubtful
Guaranteed loans	Normal	Normal	Special mention	Substandard	Substandard	Doubtful	Doubtful
Credit loans	Normal	Normal	Special mention	Substandard	Doubtful	Doubtful	Doubtful

The following table sets forth the five-category classification of our general agricultural loans and student loans to borrowers with good credit rating by overdue period of principal or interest and type of collateral.

		Overdue for					
	Current	Up to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 270 days	Over 270 days
Loans secured by mortgages	Normal	Normal	Normal	Special mention	Substandard	Doubtful	Doubtful
Loans secured by pledges	Normal	Normal	Normal	Normal	Special mention	Substandard	Doubtful
Guaranteed loans	Normal	Normal	Special mention	Special mention	Substandard	Doubtful	Doubtful
Credit loans	Normal	Normal	Special mention	Special mention	Substandard	Doubtful	Doubtful

The following table sets forth the five-category classification of our general agricultural loans and student loans to borrowers with fair or lower credit rating or no credit rating by overdue period of principal or interest and type of collateral.

		Overdue for					
	Current	Up to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 270 days	Over 270 days
Loans secured by mortgages	Normal	Normal	Special mention	Special mention	Substandard	Doubtful	Doubtful
Loans secured by pledges	Normal	Normal	Normal	Special mention	Substandard	Substandard	Doubtful
Guaranteed loans	Normal	Special mention	Special mention	Special mention	Substandard	Doubtful	Doubtful
Credit loans	Normal	Special mention	Special mention	Special mention	Substandard	Doubtful	Doubtful

Our general agricultural loans and student loans are classified as loss when our loss is expected to exceed 90% of the loan.

Residential Mortgage Loans and Auto Loans

When assessing our residential mortgage loans and personal consumption loans for the purchase of automobiles, we primarily consider the length of time by which payments of principal or interest are overdue. The following table sets forth the five-category classification of our residential mortgage loans and auto loans by overdue period of principal or interest.

	Loan classification
Current	Normal
Overdue for:	
Up to 90 days	Special mention
91 to 180 days	Substandard
Over 180 days	Doubtful

Our residential mortgage loans and auto loans are classified as loss when our loss is expected to exceed 90% of the loan.

Credit Card Balances

In applying the loan classification criteria to our credit card balances, we primarily consider the length of time by which payments of principal or interest are overdue. The following table sets forth the five-category classification for our credit card balances by overdue period of principal or interest.

	Loan Classification
Current	Normal
Overdue for:	
Up to 90 days	Special mention
91 to 120 days	Substandard
121 to 180 days	Doubtful
Over 180 days	Loss

Other Personal Loans

Other personal loans include personal business loans (other than those made to agriculture households) and personal consumption loans (other than those made for the purchase of automobiles). These loans are assessed and classified using the same standards as our general agricultural loans and student loans when their exposure sizes do not exceed RMB500,000, or using the same standards as our corporate loans when their exposure sizes exceed RMB500,000. These loans are classified as loss when our loss is expected to exceed 90% of the loan.

Financial Lease Receivables

In applying the loan classification criteria to our financial lease receivables, we primarily consider the length of time for which payments of rent are overdue. The following table sets forth the five-category classification for our financial lease receivables by overdue period of rent payment.

	Loan Classification
Current	Normal
Overdue for:	
Up to 90 days	Special mention
91 to 180 days	Substandard
181 to 360 days	Doubtful
Over 360 days	Loss

Distribution of Loans by Loan Classification

The following table sets forth, as of the dates indicated, the distribution of our loan portfolio by the five-category loan classification. We use the term "non-performing loans" and "impaired loans" synonymously to refer to the loans identified as "impaired loans" in Note 23 to our historical financial information included in the Accountants' Report set forth in Appendix I to this prospectus. Under our five-category loan classification system, our non-performing loans are classified as substandard, doubtful or loss, as applicable.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Normal	174,127	93.63%	209,244	93.57%	232,043	94.37%
Special mention	8,985	4.83	10,387	4.64	9,392	3.82
Substandard	1,994	1.07	2,511	1.12	1,836	0.75
Doubtful	808	0.43	1,328	0.59	2,151	0.87
Loss	67	0.04	189	0.08	469	0.19
Total loans to customers	**185,981**	**100.00%**	**223,659**	**100.00%**	**245,891**	**100.00%**
Non-performing loan ratio[(1)]		**1.54%**		**1.80%**		**1.81%**

(1) Calculated by dividing total non-performing loans by total loans to customers.

The following table sets forth, as of the dates indicated, the distribution of our loans to customers by business line and by the five-category loan classification system.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Corporate loans						
Normal	109,737	91.62%	135,817	92.76%	142,738	93.56%
Special mention	7,567	6.32	7,967	5.44	7,429	4.87
Substandard	1,748	1.46	1,713	1.17	1,521	1.00
Doubtful	718	0.60	877	0.60	818	0.54
Loss	1	—	47	0.03	61	0.04
Subtotal	119,771	100.00%	146,421	100.00%	152,567	100.00%
Non-performing loan ratio(1)		**2.06%**		**1.80%**		**1.57%**
Personal loans						
Normal	59,830	97.04%	68,869	94.75%	77,309	95.06%
Special mention	1,418	2.30	2,420	3.33	1,963	2.41
Substandard	245	0.40	798	1.10	315	0.39
Doubtful	91	0.15	451	0.62	1,333	1.64
Loss	66	0.11	142	0.20	408	0.50
Subtotal	61,650	100.00%	72,680	100.00%	81,328	100.00%
Non-performing loan ratio(1)		**0.65%**		**1.91%**		**2.53%**
Discounted Bills						
Normal	4,560	100.00%	4,558	100.00%	11,996	100.00%
Subtotal	4,560	100.00%	4,558	100.00%	11,996	100.00%
Non-performing loan ratio(1)		—		—		—
Total loans to customers	**185,981**		**223,659**		**245,891**	
Non-performing loan ratio(2)		**1.54%**		**1.80%**		**1.81%**

(1) Calculated by dividing non-performing loans in each category by total loans in that category.
(2) Calculated by dividing total non-performing loans by total loans.

Non-performing loans represented 1.54%, 1.80% and 1.81% of our total loan portfolio as of December 31, 2014, 2015 and 2016, respectively. Our non-performing loans increased by 40.4% from RMB2,869 million as of December 31, 2014 to RMB4,028 million as of December 31, 2015, which further increased by 10.6% to RMB4,456 million as of December 31, 2016. The increases in our non-performing loans and our non-performing loan ratio primarily reflected the deterioration of our borrowers' financial conditions and repayment abilities as a result of the slowdown of economic growth.

Changes in Asset Quality of Our Loans

The following table sets forth, for the years indicated, the changes in our non-performing loans.

	Amount (in millions of RMB)	NPL ratio
As of January 1, 2014	**1,452**	**0.90%**
Increases		
Downgrades[(1)]	1,429	
New loans[(2)]	698	
Decreases		
Write-offs	(439)	
Recoveries	(202)	
Upgrades	(6)	
Disposal	(57)	
Others	(6)	
As of December 31, 2014	**2,869**	**1.54%**
Increases		
Downgrades[(1)]	3,140	
New loans[(2)]	446	
Decreases		
Write-offs	(2,017)	
Recoveries	(343)	
Upgrades	(9)	
Disposal	(57)	
Others	(1)	
As of December 31, 2015	**4,028**	**1.80%**
Increases		
Downgrades[(1)]	3,759	
New loans[(2)]	199	
Decreases		
Write-offs	(3,296)	
Recoveries	(176)	
Upgrades	(18)	
Disposal	(13)	
Others	(27)	
As of December 31, 2016	**4,456**	**1.81%**

(1) Represents downgrades of loans classified as normal or special mention at the end of the last period to non-performing classifications.
(2) Represents downgrades of new loans made in the current period.

Our write-off of non-performing loans amounted to RMB439 million, RMB2,017 million and RMB3,296 million in 2014, 2015 and 2016, respectively. The increase in our write-off of non-performing loans was primarily due to an increase in our non-performing loans meeting MOF standards for write-offs.

The following table sets forth, for the years indicated, the migration ratios of our loan portfolio, calculated in accordance with the applicable CBRC requirements.

	For the year ended December 31,		
	2014	2015	2016
Normal and special mention loans(1)	1.58%	2.88%	3.05%
Normal loans(2)	3.32%	5.95%	4.75%
Special mention loans(3)	5.41%	10.45%	29.05%
Substandard loans(4)	8.92%	27.08%	73.52%
Doubtful loans(5)	0.56%	0.97%	11.63%

(1) Represents migration ratios of loans classified as normal or special mention which were downgraded to other classifications. The migration ratio of normal and special mention loans represents a fraction, the numerator of which equals the sum of (i) loans classified as normal at the beginning date of the period and downgraded to non-performing classifications at the end of the period, and (ii) loans classified as special mention at the beginning date of the period and downgraded to non-performing classifications at the end of the period, and the denominator of which equals to the sum of (i) the difference between the balance of normal loans at the beginning date of the period and the decrease, in the period, in the loans which were classified as normal at the beginning date of the period, and (ii) the difference between the balance of special mention loans at the beginning date of the period and the decrease in such loans in the period.

(2) Represents migration ratio of loans classified as normal which were downgraded to other classifications. The normal loan migration ratio represents a fraction, the numerator of which equals loans classified as normal at the beginning date of the period and downgraded to lower classifications, and the denominator of which equals the difference between the balance of normal loans at the beginning date of the period and the decrease in such loans in the period.

(3) Represents migration ratio of loans classified as special mention which were downgraded to non-performing loans. The special mention loan migration ratio represents a fraction, the numerator of which equals the loans which were classified as special mention at the beginning date of the period and downgraded to lower classifications, and the denominator of which equals the difference between the balance of special mention loans at the beginning date of the period and the decrease in such loans in the period.

(4) Represents migration ratio of loans classified as substandard which were downgraded to other classifications. The substandard loan migration ratio represents a fraction, the numerator of which equals the loans classified as substandard at the beginning date of the period and downgraded to other classifications, and the denominator of which equals the difference between the balance of substandard loans at the beginning date of the period and the decrease in such loans in the period.

(5) Represents migration ratio of loans classified as doubtful which were downgraded to other classification. The doubtful loan migration ratio represents a fraction, the numerator of which equals the loans classified as doubtful at the beginning date of the period and downgraded to other classification, and the denominator of which equals the difference between the balance of doubtful loans at the beginning date of the period and the decrease in such loans in the period.

In 2014, 2015 and 2016, the migration ratio for our loans classified as substandard was 8.92%, 27.08% and 73.52%, respectively, and the migration ratio for our loans classified as doubtful was 0.56%, 0.97% and 11.63%, respectively. The increase in these migration ratios was a result of increased downgrades of our loans classified as substandard and doubtful to lower classifications, which primarily reflected the adverse impact of the slowdown of economic growth on the financial conditions and repayment abilities of our corporate and retail customers. We have increased our allowance for impairment losses on loans to customers in line with the downgrading of these loans, and remained in compliance with all regulatory requirements on loan loss provisioning throughout the Track Record Period.

Distribution of Non-Performing Loans by Product Type

The following table sets forth, as of the dates indicated, the distribution of our non-performing loans by product type.

	As of December 31,								
	2014			2015			2016		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)								
Corporate loans									
Working capital loans	1,813	73.5%	2.29%	2,260	85.7%	2.40%	2,334	97.2%	2.62%
Fixed asset loans	271	11.0	0.67	168	6.3	0.37	18	0.8	0.03
Financial lease receivables	—	—	N/A	—	—	—	—	—	—
Others(2)	383	15.5	99.66	209	8.0	81.74	48	2.0	15.95
Subtotal	2,467	100.0%	2.06%	2,637	100.0%	1.80%	2,400	100.0%	1.57%
Personal Loans									
Residential mortgage loans	59	14.7%	0.24%	82	5.9%	0.31%	123	6.0%	0.36%
Personal business loans	245	61.0	0.84	1,106	79.5	3.40	1,549	75.3	5.35
Personal consumption loans	5	1.3	0.11	31	2.2	0.34	109	5.3	0.91
Credit card balances	93	23.0	3.23	172	12.4	4.04	275	13.4	4.28
Subtotal	402	100.0%	0.65%	1,391	100.0%	1.91%	2,056	100.0%	2.53%
Discounted bills	—	—	—	—	—	—	—	—	—
Total non-performing loans	**2,869**		**1.54%**	**4,028**		**1.80%**	**4,456**		**1.81%**

(1) Calculated by dividing non-performing loans (loans classified as substandard, doubtful or loss) in each product type by total loans in that product type. "N/A" indicates that total loans in that category was nil as of the respective date.

(2) Consists of advances incurred under bank acceptances, guarantees issued and letters of credit.

Our non-performing loans increased by 40.4% from RMB2,869 million as of December 31, 2014 to RMB4,028 million as of December 31, 2015, which further increased by 10.6% to RMB4,456 million as of December 31, 2016, primarily attributable to an increase in our non-performing personal loans. Our non-performing loan ratio was 1.54%, 1.80% and 1.81% as of December 31, 2014, 2015 and 2016, respectively.

Our non-performing corporate loans increased by 6.9% from RMB2,467 million as of December 31, 2014 to RMB2,637 million as of December 31, 2015, primarily attributable to an increase in our non-performing working capital loans, which was partially offset by decreases in non-performing fixed asset loans and other non-performing corporate loans. Our non-performing working capital loans increased by 24.7% from RMB1,813 million as of December 31, 2014 to RMB2,260 million as of December 31, 2015, primarily reflecting the adverse impact of the slowdown of economic growth on the financial conditions of our corporate borrowers. Our non-performing fixed asset loans decreased by 38.0% from RMB271 million as of December 31, 2014 to RMB168 million as of December 31, 2015, and other corporate loans classified as non-performing decreased by 45.4% from RMB383 million as of December 31, 2014 to RMB209 million as of December 31, 2015, primarily because we wrote off certain of these non-performing loans in 2015. The non-performing loan ratio for our corporate loans decreased from 2.06% as of December 31, 2014 to 1.80% as of December 31, 2015, primarily due to an increase in our total corporate loans at a higher rate than the increase in our non-performing corporate loans. Our non-performing corporate loans decreased by 9.0% from RMB2,637 million as of December 31, 2015 to RMB2,400 million as of December 31, 2016, representing a decrease in the non-performing loan ratio from 1.80% to 1.57%, primarily as a result of our write-off of certain non-performing corporate loans. Our non-performing working capital loans increased by 3.3% from RMB2,260 million as of December 31, 2015 to RMB2,334 million as of December 31, 2016, primarily reflecting adverse impact of the slowdown of economic growth on the financial conditions and repayment abilities of our borrowers. Our non-performing fixed asset loans decreased by 89.3% from RMB168 million as of December 31, 2015 to RMB18 million as of December 31, 2016, primarily due to our write-off of certain non-performing fixed-asset loans. Other corporate loans classified as non-performing decreased by 77.0% from RMB209 million as of December 31, 2015 to RMB48 million as of December 31, 2016, primarily due to our write-off of certain of these non-performing loans.

Our non-performing personal loans more than tripled from RMB402 million as of December 31, 2014 to RMB1,391 million as of December 31, 2015, which further increased by 47.8% to RMB2,056 million as of December 31, 2016. The non-performing loan ratio for our personal loans was 0.65%, 1.91% and 2.53% as of December 31, 2014, 2015 and 2016, respectively. The increases in our non-performing personal loans and the non-performing loan ratio for our personal loans were primarily attributable to an increase in our non-performing personal business loans and, to a lesser extent, an increase in our non-performing credit card balances. Our non-performing personal business loans increased significantly from RMB245 million as of December 31, 2014 to RMB1,106 million as of December 31, 2015, which further increased by 40.1% to RMB1,549 million as of December 31, 2016. The non-performing loan ratio for our personal business loans was 0.84%, 3.40% and 5.35% as of December 31, 2014, 2015 and 2016, respectively. The increase in our non-performing personal business loans and the non-performing loan ratio for our personal business loans primarily reflected the operational difficulties of certain private business owners resulting from the slowdown of economic growth. Our non-performing credit card balances almost doubled from RMB93 million as of December 31, 2014 to RMB172 million as of December 31, 2015, which further increased by 59.9% to RMB275 million as of December 31, 2016. The non-performing loan ratio for our credit card balances was 3.23%, 4.04% and 4.28% as of December 31, 2014, 2015 and 2016, respectively. The increases in our non-performing credit card balances and the non-performing loan ratio of our credit card balances were primarily due to credit risks relating to certain customers we acquired during the early stage of our credit card business materializing over time. We have taken certain measures to enhance the risk management for our credit card business. See "Risk Management—Credit Risk Management—Credit Risk Management for Loans to Small and Micro Enterprises Customers and Personal Loans—Credit Risk Management for Credit Card Business."

Distribution of Non-Performing Corporate Loans by Industry

The following table sets forth, as of the dates indicated, the distribution of our non-performing corporate loans by industry.

	As of December 31,								
	2014			2015			2016		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)								
Wholesale and retail	1,531	62.1%	6.11%	1,321	50.1%	4.41%	1,010	42.1%	3.89%
Real estate	159	6.4	0.95	196	7.4	1.03	—	—	—
Leasing and commercial services	132	5.3	0.83	174	6.6	0.86	77	3.2	0.32
Manufacturing	468	19.0	2.26	718	27.2	3.04	299	12.5	1.26
Construction	35	1.4	0.53	68	2.6	0.74	76	3.2	0.77
Water, environment and public utility management	50	2.0	0.57	9	0.3	0.10	—	—	—
Hotel and catering	7	0.3	0.11	7	0.3	0.10	11	0.5	0.15
Transportation, storage and postal services	11	0.5	0.20	23	0.9	0.33	1	—	0.02
Agriculture, forestry, husbandry and fishery	17	0.7	0.89	28	1.1	0.76	42	1.8	0.97
Information transmission, software and information technology services	46	1.9	2.13	62	2.4	1.49	10	0.4	0.34
Education	—	—	—	—	—	—	—	—	—
Health and social services	—	—	—	5	0.2	0.28	—	—	—
Residential services, maintenance and other services	—	—	—	11	0.4	0.38	3	0.1	0.14
Production and supply of electricity, heat, gas and water	11	0.4	1.29	—	—	—	10	0.4	0.49
Others(2)	—	—	—	15	0.5	0.28	861	35.9	15.37
Total non-performing corporate loans	**2,467**	**100.0%**	**2.06%**	**2,637**	**100.0%**	**1.80%**	**2,400**	**100.0%**	**1.57%**

(1) Calculated by dividing non-performing loans (loans classified as substandard, doubtful or loss) in each industry by total loans to that industry.

(2) Consist primarily of the culture, sports and entertainment industry.

A significant portion of our non-performing corporate loans are attributable to non-performing loans to corporate borrowers in the wholesale and retail industry and the manufacturing industry, together representing 81.1%, 77.3% and 54.6% of our total non-performing corporate loans as of December 31, 2014, 2015 and 2016, respectively.

Our non-performing loans to corporate customers in the wholesale and retail industry represented 62.1%, 50.1% and 42.1% of our total non-performing corporate loans as of December 31, 2014, 2015 and 2016, respectively. The concentration of our non-performing corporate loans to the wholesale and retail industry primarily reflected a high percentage of small and micro enterprises, which are more vulnerable to the slowdown of economic growth, in our corporate customers in this industry. Non-performing loans to corporate borrowers in the wholesale and retail industry decreased by 13.7% from RMB1,531 million as of December 31, 2014 to RMB1,321 million as of December 31, 2015, which further decreased by 23.5% to RMB1,010 million as of December 31, 2016. The non-performing loan ratio for our loans to corporate borrowers in the wholesale and retail industry was 6.11%, 4.41% and 3.89% as of December 31, 2014, 2015 and 2016, respectively. The decrease of non-performing loans to, and the non-performing loan ratio for our loans to, corporate borrowers in the wholesale and retail industry was primarily due to our write-off of certain non-performing loans to corporate customers in this industry.

Non-performing loans to corporate borrowers in the manufacturing industry increased by 53.4% from RMB468 million as of December 31, 2014 to RMB718 million as of December 31, 2015, representing an increase in the non-performing loan ratio from 2.26% to 3.04%. The increases in the non-performing loans to, and the non-performing loan ratio for our loans to, corporate borrowers in the manufacturing industry in 2015 primarily reflected the adverse impact of the slowdown of economic growth on the financial conditions of borrowers in this industry. Non-performing loans to corporate borrowers in the manufacturing industry decreased by 58.4% from RMB718 million as of December 31, 2015 to RMB299 million as of December 31, 2016, representing a decrease in the non-performing loan ratio from 3.04% to 1.26%. The decreases in our non-performing loans to, and the non-performing loan ratio for our loans to, corporate borrowers in the manufacturing industry in 2016 were primarily due to our write-off of certain non-performing loans to corporate customers in this industry.

Distribution of Non-Performing Loans by Geographical Region

The following table sets forth, as of the dates indicated, the distribution of our non-performing loans by geographical region.

	As of December 31,								
	2014			2015			2016		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)								
Guangzhou	2,725	95.0%	1.57%	3,612	89.7%	1.78%	3,918	87.9%	1.80%
Outside Guangzhou(2)	144	5.0	1.15	416	10.3	2.03	538	12.1	1.94
Total non-performing loans	**2,869**	**100.0%**	**1.54%**	**4,028**	**100.0%**	**1.80%**	**4,456**	**100.0%**	**1.81%**

(1) Calculated by dividing non-performing loans (loans classified as substandard, doubtful or loss) in each region by total loans in that region.

(2) Represents non-performing loans of our branches, sub-branches and Zhujiang County Banks outside Guangzhou. For details on the distribution of our branches, sub-branches and Zhujiang County Banks, see "Business—Distribution Network."

Our non-performing loans at December 31, 2014, 2015 and 2016 were primarily originated in Guangzhou because most of our loans in these periods were originated in Guangzhou. Please see "— Loans to Customers — Distribution of Loans to Customers by Geographical Region" for the distribution of loans to customers by geographical region. Our non-performing loans outside Guangzhou were primarily attributable to non-performing loans extended by our Zhujiang County Banks outside Guangzhou.

Distribution of Non-Performing Loans by Collateral

The following table sets forth, as of the dates indicated, the distribution of our non-performing loans by type of collateral.

	As of December 31,								
	2014			2015			2016		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)								
Corporate loans									
Loans secured by mortgages	1,617	56.4%	2.12%	1,707	42.4%	1.99%	1,319	29.6%	1.40%
Loans secured by pledges	71	2.4	0.56	25	0.6	0.11	9	0.2	0.07
Guaranteed loans	779	27.2	3.57	905	22.5	3.44	1,067	23.9	3.22
Credit loans	—	—	—	—	—	—	5	0.1	0.04
Subtotal	2,467	86.0%	2.06%	2,637	65.5%	1.80%	2,400	53.9%	1.57%
Personal loans									
Loans secured by mortgages	270	9.4%	0.56%	612	15.1%	1.16%	847	19.0%	1.45%
Loans secured by pledges	—	—	—	4	0.1	0.12	8	0.2	0.27
Guaranteed loans	39	1.4	0.47	599	14.9	5.25	913	20.5	7.47
Credit loans	93	3.2	2.95	176	4.4	3.49	288	6.5	3.72
Subtotal	402	14.0%	0.65%	1,391	34.5%	1.91%	2,056	46.1%	2.53%
Discounted bills	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total non-performing loans	**2,869**	**100.0%**	**1.54%**	**4,028**	**100.0%**	**1.80%**	**4,456**	**100.0%**	**1.81%**

(1) Calculated by dividing non-performing loans (loans classified as substandard, doubtful or loss) in each type of collateral by total loans in that type of collateral.

Non-performing corporate loans secured by mortgages represented 56.4%, 42.4% and 29.6% of our total non-performing loans as of December 31, 2014, 2015 and 2016, respectively. Non-performing corporate loans secured by mortgages increased by 5.6% from RMB1,617 million as of December 31, 2014 to RMB1,707 million as of December 31, 2015, primarily reflecting the adverse impact of the slowdown of economic growth on the financial conditions and repayment abilities of certain of our corporate borrowers. The non-performing loan ratio for our corporate loans secured by mortgages decreased from 2.12% as of December 31, 2014 to 1.99% as of December 31, 2015, primarily due to an increase in our total corporate loans secured by mortgages at a higher rate than the increase in non-performing corporate loans secured by mortgages. Our non-performing corporate loans secured by mortgages decreased by 22.7% from RMB1,707 million as of December 31, 2015 to RMB1,319 million as of December 31, 2016, representing a decrease in the non-performing loan ratio from 1.99% to 1.40%, primarily due to our increased write-off of non-performing loans.

Our non-performing guaranteed corporate loans represented 27.2%, 22.5% and 23.9% of our total non-performing loans as of December 31, 2014, 2015 and 2016, respectively. Our non-performing guaranteed corporate loans increased by 16.2% from RMB779 million as of December 31, 2014 to RMB905 million as of December 31, 2015, which further increased by 17.9% to RMB1,067 million as of December 31, 2016, primarily reflected the financial difficulties our corporate borrowers encountered during the slowdown of economic growth. The non-performing loan ratio for our guaranteed corporate loans decreased from 3.57% as of December 31, 2014 to 3.44% as of December 31, 2015, which further decreased to 3.22% as of December 31, 2016, primarily due to the increase in our guaranteed corporate loans at a higher rate than the increase in our non-performing guaranteed corporate loans.

Our non-performing personal loans secured by mortgages represented 9.4%, 15.1% and 19.0% of our total non-performing loans as of December 31, 2014, 2015 and 2016, respectively. Our non-performing personal loans secured by mortgages more than doubled from RMB270 million as of December 31, 2014 to RMB612 million as of December 31, 2015, which further increased by 38.4% to RMB847 million as of December 31, 2016. The non-performing loan ratio for our personal loans secured by mortgages was 0.56%, 1.16% and 1.45% as of December 31, 2014, 2015 and 2016, respectively. The increases in these non-performing loans and the non-performing loan ratio for our personal loans secured by mortgages were primarily attributable to an increase in non-performing personal business loans, reflecting the deterioration of the financial condition of private business owners as a result of the slowdown of economic growth.

Our non-performing guaranteed personal loans represented 1.4%, 14.9% and 20.5% of our total non-performing loans as of December 31, 2014, 2015 and 2016, respectively. Our non-performing guaranteed personal loans increased significantly from RMB39 million as of December 31, 2014 to RMB599 million as of December 31, 2015, which further increased by 52.4% to RMB913 million as of December 31, 2016. The non-performing loan ratio for our guaranteed personal loans was 0.47%, 5.25% and 7.47% as of December 31, 2014 and 2015 and 2016, respectively. The increases in our non-performing guaranteed personal loans and the non-performing loan ratio for our guaranteed personal loans were primarily attributable to an increase in our non-performing personal business loans, reflecting the deterioration of the financial condition of private business owners as a result of the slowdown of economic growth.

Ten Largest Non-performing Borrowers

The following table sets forth, as of the date indicated, our borrowers with the ten largest non-performing loan balances outstanding.

	As of December 31, 2016				
	Industry	Outstanding principal amount	Classification	% of total non-performing loans	% of total regulatory capital(1)
		(in millions of RMB, except percentages)			
Borrower A	Finance	859	Substandard	19.28%	1.90%
Borrower B	Wholesale and retail	590	Doubtful	13.24	1.30
Borrower C	Wholesale and retail	183	Substandard	4.12	0.41
Borrower D	Manufacturing	54	Substandard	1.21	0.12
Borrower E	Manufacturing	49	Loss	1.09	0.11
Borrower F	Wholesale and retail	48	Substandard	1.07	0.10
Borrower G	Manufacturing	40	Substandard	0.90	0.09
Borrower H	Wholesale and retail	39	Substandard	0.86	0.09
Borrower I	Leasing and commercial services	37	Substandard	0.83	0.08
Borrower J	Construction	18	Substandard	0.40	0.04
Total		**1,916**		**43.00%**	**4.24%**

(1) Represents loan balances as a percentage of our regulatory capital, calculated in accordance with the requirements of the Capital Adequacy Regulations and based on our financial statements prepared in accordance with PRC GAAP. For a calculation of our regulatory capital as of December 31, 2016, see "Financial Information—Capital Resources—Capital Adequacy."

Loan Aging Schedule

The following table sets forth, as of the dates indicated, the aging schedule of our loans based on their underlying notes.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Current loans	181,487	97.6%	214,907	96.1%	237,147	96.4%
Loans past due for						
Up to 3 months	2,157	1.2	4,025	1.8	3,572	1.5
Over 3 months up to 1 year	1,342	0.7	3,009	1.3	1,429	0.6
Over 1 years up to 3 years	933	0.5	1,625	0.7	3,120	1.3
Over 3 years	62	—	93	0.1	624	0.3
Subtotal	4,494	2.4	8,752	3.9	8,744	3.6
Total loans to customers	**185,981**	**100.0%**	**223,659**	**100.0%**	**245,891**	**100.0%**
Loans past due for over 3 months	**2,337**	**1.2%**	**4,727**	**2.1%**	**5,173**	**2.1%**

Allowance for Impairment Losses on Loans to Customers

We assess our loans for impairment, determine a level of allowance for impairment losses, and recognize the related provisions to be made, using the concept of impairment under IAS39. See "Financial Information—Critical Accounting Estimates and Judgments—Impairment Losses on Loans to Customers, Available-for-sale Financial Assets and Held-to-maturity Investments" and Note 3(3) to our historical financial information included in the Accountants' Report set forth in Appendix I to this prospectus.

Our loans are reported net of the allowance for impairment losses on our consolidated statements of financial position. We perform individual assessments to determine the allowance for impairment losses against individually significant loans (including corporate loans, discounted bills and certain personal loans of Zhujiang County Banks) if there is objective evidence of impairment as a result of events occurring after the initial recognition of loans which affect the estimated future cash flows of the loans. Allowance for impairment losses of such loans is measured as the difference between the carrying amounts and the estimated recoverable amounts of the loans. The estimated recoverable amounts are the present value of the estimated future cash flows of the loans, including, among other things, the recoverable value of the collateral.

Individually significant loans for which no evidence of impairment has been individually identified consist of loans classified as normal and special mention. These loans are assessed collectively for the purpose of determining the allowance for impairment losses. Homogeneous groups of loans that are not considered individually significant are also collectively assessed for the purpose of determining the allowance for impairment losses. The allowance for impairment losses of the collectively assessed loans is determined primarily based on our historical loss experience in similar portfolios and on current economic conditions.

The following table sets forth, as of the dates indicated, the distribution of our allowance for impairment losses on our loans to customers by our assessment methodology.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Collectively assessed	4,309	81.9%	5,701	82.9%	6,722	84.5%
Individually assessed	952	18.1	1,178	17.1	1,234	15.5
Total	**5,261**	**100.0%**	**6,879**	**100.0%**	**7,956**	**100.0%**

Distribution of Allowance for Impairment Losses by Loan Classification

The following table sets forth, as of the dates indicated, the allocation of our allowance for impairment losses by loan classification category.

	As of December 31,								
	2014			2015			2016		
	Amount	% of total	Allowance to loans(1)	Amount	% of total	Allowance to loans(1)	Amount	% of total	Allowance to loans(1)
	(in millions of RMB, except percentages)								
Normal	3,068	58.3%	1.76%	3,970	57.7%	1.90%	4,115	51.7%	1.77%
Special mention	1,064	20.2	11.85	1,167	17.0	11.23	1,261	15.8	13.43
Substandard	468	8.9	23.48	614	8.9	24.46	523	6.6	28.50
Doubtful	594	11.3	73.51	939	13.6	70.71	1,588	20.0	73.83
Loss	67	1.3	100.00	189	2.7	100.00	469	5.9	100.00
Total allowance	**5,261**	**100.0%**	**2.83%**	**6,879**	**100.0%**	**3.08%**	**7,956**	**100.0%**	**3.24%**

(1) Calculated by dividing the allowance for impairment losses on loans in each category by the total loans in that category.

The following table sets forth, as of the dates indicated, the allocation of our allowance for impairment losses on loans to customers by business line and by loan classification category.

	As of December 31,								
	2014			2015			2016		
	Amount	% of total	Allowance to loans[(1)]	Amount	% of total	Allowance to loans[(1)]	Amount	% of total	Allowance to loans[(1)]
	(in millions of RMB, except percentages)								
Corporate loans									
Normal	1,991	37.8%	1.81%	2,519	36.6%	1.85%	2,479	31.1%	1.74%
Special mention	961	18.3	12.70	920	13.4	11.54	1,004	12.6	13.51
Substandard	405	7.7	23.18	417	6.1	24.35	429	5.4	28.21
Doubtful	534	10.2	74.52	646	9.4	73.66	645	8.1	78.85
Loss	1	0.0	100.00	47	0.7	100.00	61	0.8	100.00
Subtotal	3,892	74.0%	3.25%	4,549	66.2%	3.11%	4,618	58.0%	3.03%
Personal loans									
Normal	1,063	20.2%	1.78%	1,400	20.2%	2.03%	1,463	18.4%	1.89%
Special mention	103	2.0	7.29	247	3.6	10.21	257	3.2	13.09
Substandard	63	1.2	25.62	197	2.9	24.71	94	1.2	29.84
Doubtful	60	1.1	65.53	293	4.3	64.97	943	11.9	70.74
Loss	66	1.2	100.00	142	2.1	100.00	408	5.1	100.00
Subtotal	1,355	25.7%	2.20%	2,279	33.1%	3.14%	3,165	39.8%	3.89%
Discounted bills									
Normal	14	0.3%	0.30%	51	0.7%	1.13%	173	2.2%	1.44%
Subtotal	14	0.3%	0.30%	51	0.7%	1.13%	173	2.2%	1.44%
Total allowance	**5,261**	**100.0%**	**2.83%**	**6,879**	**100.0%**	**3.08%**	**7,956**	**100.0%**	**3.24%**

(1) Calculated by dividing the allowance for impairment losses on loans to customers in each category by total loans in that category. "N/A" indicates that total loans in that category was nil at the respective date.

Changes to Allowance for Impairment Losses on Loans to Customers

We report net provisions for impairment losses on loans to customers on our income statement. See "Financial Information—Results of Operations for the years ended December 31, 2014, 2015 and 2016—Provisions for Impairment Losses."

The following table sets forth, for the years indicated, the changes to our allowance for impairment losses on loans to customers.

	As of and for the year ended December 31,
	(in millions of RMB)
As of January 1, 2014	**4,219**
Gross charge for the year	1,670
Reversals	(148)
Net charge for the year	1,522
Recoveries of loans written-off in previous years	32
Accreted interest on impaired loans	(73)
Write-offs	(439)
As of December 31, 2014	**5,261**
Gross charge for the year	3,833
Reversals	(189)
Net charge for the year	3,644
Recoveries of loans written-off in previous years	143
Accreted interest on impaired loans	(152)
Write-offs	(2,017)
As of December 31, 2015	**6,879**
Gross charge for the period	3,856
Reversals	(163)
Net charge for the period	3,693
Recoveries of loans written-off in previous years	817
Accreted interest on impaired loans	(137)
Write-offs	(3,296)
As of December 31, 2016	**7,956**

Our allowance for impairment losses on loans to customers increased by 30.8% from RMB5,261 million as of December 31, 2014 to RMB6,879 million as of December 31, 2015, which further increased by 15.7% to RMB7,956 million as of December 31, 2016. The continued increase in our allowance for impairment losses on loans to customers was primarily due to an increase in both our total loan portfolio and non-performing loans.

As of December 31, 2014, 2015 and 2016, our allowance to gross loan ratio was 2.83%, 3.08% and 3.24%, respectively, and our allowance to non-performing loan ratio was 183.37%, 170.79% and 178.58%, respectively. Changes in our allowance to loan ratio and allowance to non-performing loan ratio were primarily due to changes in our non-performing loans and non-performing loan ratio.

Distribution of Allowance for Impairment Losses on Loans to Customers by Product Type

The following table sets forth, as of the dates indicated, the allocation of our allowance for impairment losses on loans to customers by product type.

	As of December 31,								
	2014			2015			2016		
	Amount	% of total	Allowance to NPLs[(1)]	Amount	% of total	Allowance to NPLs[(1)]	Amount	% of total	Allowance to NPLs[(1)]
	(in millions of RMB, except percentages)								
Corporate loans									
Working capital loans	2,632	50.0%	145.10%	3,317	48.3%	146.78%	3,234	40.7%	138.60%
Fixed asset loans	1,150	21.9	424.70	1,033	15.0	616.84	1,052	13.2	5,844.44
Financial lease receivables	—	—	N/A	101	1.5	N/A	268	3.4	N/A
Others[(2)]	110	2.1	28.81	98	1.4	46.82	64	0.8	133.33
Subtotal	3,892	74.0%	157.74%	4,549	66.2%	172.50%	4,618	58.0%	192.46%
Personal loans									
Residential mortgage loans	119	2.3%	200.84%	205	3.0%	249.39%	311	3.9%	252.85%
Personal business loans	1,091	20.6	445.61	1,688	24.5	152.65	2,221	27.9	143.38
Personal consumption loans	31	0.6	613.73	163	2.4	530.52	326	4.1	299.08
Credit card balances	114	2.2	122.89	223	3.2	129.58	307	3.9	111.64
Subtotal	1,355	25.7%	337.31%	2,279	33.1%	163.87%	3,165	39.8%	153.94%
Discounted bills									
Bank acceptance bills	10	0.2%	N/A	1	—	N/A	111	1.4%	N/A
Commercial acceptance bills	4	0.1	N/A	50	0.7	N/A	62	0.8	N/A
Subtotal	14	0.3%	N/A	51	0.7%	N/A	173	2.2%	N/A
Total allowance	**5,261**	**100.0%**	**183.37%**	**6,879**	**100.0%**	**170.79%**	**7,956**	**100.0%**	**178.58%**

(1) Calculated by dividing the allowance for impairment losses on loans to customers in each category by total non-performing loans in that category. "N/A" indicates that total non-performing loans in that category was nil as of the respective date.
(2) Consists of advances incurred under bank acceptances, guarantees issued and letters of credit.

Distribution of Allowance for Impairment Losses on Corporate Loans by Industry

The following table sets forth, as of the dates indicated, the allowance for impairment losses on corporate loans by industry.

	As of December 31,								
	2014			2015			2016		
	Amount	% of total	Allowance to NPLs[(1)]	Amount	% of total	Allowance to NPLs[(1)]	Amount	% of total	Allowance to NPLs[(1)]
	(in millions of RMB, except percentages)								
Wholesale and retail	1,293	33.2%	84.44%	1,321	28.8%	100.05%	1,200	26.0%	118.81%
Real estate	419	10.8	263.75	396	8.7	202.04	525	11.4	N/A
Leasing and commercial services	461	11.8	350.27	593	13.0	341.16	631	13.7	819.48
Manufacturing	656	16.9	140.18	891	19.6	124.16	832	18.0	278.26
Construction	131	3.4	373.14	203	4.5	300.89	211	4.6	277.63
Water, environment and public utility management	162	4.1	323.00	154	3.4	1,713.33	132	2.9	N/A
Hotel and catering	137	3.5	2,040.30	166	3.7	2,483.58	164	3.6	1,490.91
Transportation, storage and postal services	207	5.3	1,852.68	241	5.3	1,037.07	152	3.3	15,200.00
Agriculture, forestry, husbandry and fishery	56	1.5	321.26	98	2.2	350.90	128	2.8	304.76
Information transmission, software and information technology services	46	1.2	99.79	119	2.6	190.22	59	1.3	590.00
Education	38	1.0	N/A	40	0.9	N/A	50	1.1	N/A
Health and social services	2	0.1	N/A	30	0.7	627.73	59	1.3	N/A
Residential services, maintenance and other services	153	3.9	N/A	63	1.4	527.73	41	0.9	1,366.67
Production and supply of electricity, heat, gas and water	21	0.5	195.37	36	0.8	N/A	60	1.3	600.00
Others[(2)]	110	2.8	N/A	199	4.4	1,326.67	375	8.1	43.55
Total allowance for corporate loans	**3,892**	**100.0%**	**157.74%**	**4,549**	**100.0%**	**172.50%**	**4,618**	**100.0%**	**192.46%**

(1) Calculated by dividing the allowance for impairment losses on loans to customers in each category by total non-performing loans in that category. "N/A" indicates that total non-performing loans in that category was nil as of the respective date.
(2) Consist primarily of the culture, sports and entertainment industry.

Distribution of Allowance for Impairment Losses on Loans to Customers by Geographical Region

The following table sets forth, as of the dates indicated, the allocation of our allowance for impairment losses on loans to customers by geographical region.

	As of December 31,								
	2014			2015			2016		
	Amount	% of total	Allowance to NPLs[(1)]	Amount	% of total	Allowance to NPLs[(1)]	Amount	% of total	Allowance to NPLs[(1)]
	(in millions of RMB, except percentages)								
Guangzhou	4,886	92.9%	179.29%	6,000	87.2%	166.11%	6,833	85.9%	174.43%
Outside Guangzhou[(2)]	375	7.1	260.75	879	12.8	211.47	1,123	14.1	208.74
Total allowance	**5,261**	**100.0%**	**183.37%**	**6,879**	**100.0%**	**170.79%**	**7,956**	**100.0%**	**178.58%**

(1) Calculated by dividing the allowance for impairment losses on loans to customers in each category by total non-performing loans in that category.
(2) Represents allowance for impairment losses on loans extended by our branches, sub-branches and Zhujiang County Banks outside Guangzhou. For details on the distribution of our branches, sub-branches and Zhujiang County Banks, see "Business—Distribution Network."

Financial Investments

Our financial investments, net of allowance for impairment losses, amounted to RMB94,728 million, RMB137,694 million and RMB190,073 million as of December 31, 2014, 2015 and 2016, respectively, representing 20.3%, 23.6% and 28.8% of our total assets as of December 31, 2014, 2015 and 2016, respectively.

For presentation purposes in this section of this prospectus, we classify our financial investments into (i) debt securities, (ii) asset management plans, (iii) trust fund plans, (iv) wealth management products issued by other financial institutions, (v) equity investments, and (vi) others. Our financial investments include our holding of available-for-sale financial assets, held-to-maturity investments and financial investments classified as receivables. We also hold certain financial assets at fair value through profit or loss, which are not included here as financial investments. See "—Other Components of Our Assets."

The following table sets forth, as of the dates indicated, the components of our financial investments.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Debt securities	53,959	57.0%	75,749	54.9%	83,547	43.8%
Asset management plans	29,795	31.5	55,296	40.1	97,492	51.2
Trust fund plans	9,491	10.0	5,695	4.1	6,210	3.3
Wealth management products issued by other financial institutions	1,432	1.5	1,261	0.9	3,201	1.7
Equity investments	41	—	41	—	41	—
Others[(1)]	10	—	10	—	10	—
Total financial investments, gross	**94,728**	**100.0%**	**138,052**	**100.0%**	**190,501**	**100.0%**
Less: allowance for impairment losses	—		(358)		(428)	
Total financial investments, net	**94,728**		**137,694**		**190,073**	

(1) Represents our subscription of the Asia Financial Cooperation Association Risk Cooperative Fund (亞洲金融合作聯盟風險合作基金).

Our gross financial investments increased by 45.7% from RMB94,728 million as of December 31, 2014 to RMB138,052 million as of December 31, 2015, primarily attributable to increases in our holding of debt securities and asset management plans, which were partially offset by a decrease in our investment in trust fund plans. Our gross financial investments increased by 38.0% from RMB138,052 million as of December 31, 2015 to RMB190,501 million as of December 31, 2016, primarily attributable to an increase in our holding of asset management plans.

Debt Securities

Debt securities represented 57.0%, 54.9% and 43.8% of our gross financial investments as of December 31, 2014, 2015 and 2016, respectively. Our holding of debt securities consists of debt securities issued by PRC governments, PRC policy banks, other PRC banks and financial institutions and PRC corporate issuers. All of the debt securities we held as of December 31, 2014, 2015 and 2016 were denominated in Renminbi. The following table sets forth, as of the dates indicated, the components of our holding of debt securities by issuer type.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Debt securities issued by:						
PRC governments[(1)]	25,422	47.1%	26,057	34.4%	20,852	25.0%
PRC policy banks	14,992	27.8	28,708	37.9	47,271	56.6
Other PRC banks and financial institutions	4,885	9.1	10,308	13.6	10,137	12.1
PRC corporate issuers	8,660	16.0	10,676	14.1	5,287	6.3
Total debt securities	**53,959**	**100.0%**	**75,749**	**100.0%**	**83,547**	**100.0%**

(1) Includes central and local governments.

Our holding of debt securities increased by 40.4% from RMB53,959 million as of December 31, 2014 to RMB75,749 million as of December 31, 2015, which further increased by

10.3% to RMB83,547 million as of December 31, 2016, primarily reflecting our continued efforts to grow our financial market business and our increased allocation of funds to debt securities given the tightened regulatory restrictions on investment in non-standard credit assets.

Our holding of debt securities issued by PRC governments remained relatively stable at RMB25,422 million and RMB26,057 million as of December 31, 2014 and 2015, respectively. Our holding of debt securities issued by PRC governments decreased by 20.0% from RMB26,057 million as of December 31, 2015 to RMB20,852 million as of December 31, 2016, primarily due to our increased allocation of funds to debt securities issued by policy banks, which were generally of higher yields and liquidity than debt securities issued by the PRC government.

Our holding of debt securities issued by PRC policy banks almost doubled from RMB14,992 million as of December 31, 2014 to RMB28,708 million as of December 31, 2015, which further increased by 64.7% to RMB47,271 million as of December 31, 2016. The continued increase in our holding of debt securities issued by PRC policy banks primarily reflected our preference for these debt securities given their relatively high liquidity and yields.

Our holding of debt securities issued by other PRC banks and financial institutions more than doubled from RMB4,885 million as of December 31, 2014 to RMB10,308 million as of December 31, 2015, primarily because we increased investment in asset backed securities and short-termed certificates of deposit, which were of relatively high returns and low risk weights. Our holding of debt securities issued by other PRC banks and financial institutions remained relatively stable at RMB10,308 million and RMB10,137 million as of December 31, 2015 and 2016, respectively.

Our holding of debt securities issued by PRC corporate issuers increased by 23.3% from RMB8,660 million as of December 31, 2014 to RMB10,676 million as of December 31, 2015, primarily reflecting the overall growth in our debt securities portfolio. Our holding of debt securities issued by PRC corporate issuers decreased by 50.5% from RMB10,676 million as of December 31, 2015 to RMB5,287 million as of December 31, 2016, primarily due to our decreased investment in these debt securities for risk management considerations given the increased occurrence of default on these debt securities on the market in 2016.

The following table sets forth, as of the dates indicated, a breakdown of our debt securities between fixed interest rates and floating interest rates.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Fixed interest rates	49,508	91.8%	70,050	92.5%	80,496	96.3%
Floating interest rates	4,451	8.2	5,699	7.5	3,051	3.7
Total debt securities	**53,959**	**100.0%**	**75,749**	**100.0%**	**83,547**	**100.0%**

Asset Management Plans

Asset management plans consist primarily of investment products managed by securities companies, fund management companies and asset management companies. Our holding of asset management plans increased by 85.6% from RMB29,795 million as of December 31, 2014 to RMB55,296 million as of December 31, 2015, which further increased by 76.3% to RMB97,492 million as of December 31, 2016, primarily because we increased investment in asset management plans with standard credit assets as underlying assets since the fourth quarter of 2015 to seek higher returns.

Trust Fund Plans

Trust fund plans consist of trust plans set up for single beneficiaries or collective trust fund plans with various types of financial instruments as underlying assets. Our investments in trust fund plans decreased by 40.0% from RMB9,491 million as of December 31, 2014 to RMB5,695 million as of December 31, 2015, primarily due to our decreased allocation of funds to these financial assets as a result of increased regulatory restrictions on investment in non-standard credit assets. Our investments in trust fund plans increased by 9.0% from RMB5,695 million as of December 31, 2015 to RMB6,210 million as of December 31, 2016, primarily due to our increased investment in certain collective trust fund plans of relatively low risk.

Distribution of Financial Investments by Investment Intention

Our financial investments are classified into (i) available-for-sale financial assets, (ii) held-to-maturity investments, and (iii) receivables, primarily based on our investment intentions. Held-to-maturity investments are non-derivative investments with fixed or determinable payments and fixed maturities which we intend and are able to hold to maturity. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market or are not actively traded. Available-for-sale financial assets are non-derivative financial investments that are not classified as receivables or held-to maturity investments.

The following table sets forth, as of the dates indicated, the distribution of our financial investments by our investment intention.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Available-for-sale financial assets	45,459	48.0%	72,123	52.4%	88,278	46.4%
Held-to-maturity investments	8,551	9.0	18,434	13.4	25,782	13.6
Receivables	40,718	43.0	47,137	34.2	76,013	40.0
Total financial investments	**94,728**	**100.0%**	**137,694**	**100.0%**	**190,073**	**100.0%**

Our available-for-sale financial assets consist primarily of debt securities and debt funds, which we held directly or through certain asset management plans. Our available-for-sale financial assets increased by 58.7% from RMB45,459 million as of December 31, 2014 to RMB72,123 million as of December 31, 2015, primarily because we increased our holding of debt securities and debt funds, both directly and through certain asset management plans and wealth management products. Our investment in debt funds increased from nil as of December 31, 2014 to RMB13,500 million as of December 31, 2015, as we started investing in debt funds through asset management plans in the second half of 2015. Our holding of debt securities classified as available-for-sale financial assets increased by 26.2% from RMB45,408 million as of December 31, 2014 to RMB57,312 million as of December 31, 2015, primarily because we increased our holding of debt securities issued by PRC policy banks. Our available-for-sale financial assets increased by 22.4% from RMB72,123 million as of December 31, 2015 to RMB88,278 million as of December 31, 2016, primarily attributable to an increase in our holding of debt securities and debt funds through certain asset management plans to seek higher returns, reflecting an overall growth of our financial market business.

Our held-to-maturity investments consist solely of our investments in debt securities. Our held-to-maturity financial assets more than doubled from RMB8,551 million as of December 31, 2014 to RMB18,434 million as of December 31, 2015, primarily because we increased our holding of debt securities issued by PRC government and other PRC banks and financial institutions. The increase in our holding of PRC government bonds primarily reflected the increased availability of PRC local government bonds on the market in 2015. The increase in our holding of bonds issued by other PRC banks and financial institutions was primarily because we increased holding of certificates of deposit. Our held-to-maturity investments increased by 39.9% from RMB18,434 million as of December 31, 2015 to RMB25,782 million as of December 31, 2016, primarily reflected our increased holding of debt securities classified as held-to-maturity investments to seek steady returns in light of the increased market risks due to the fluctuation of the bond market in the second half of 2016.

Our financial investments classified as receivables consist of our holding of certain asset management plans, trust fund plans and wealth management products issued by other financial institutions. The financial investments classified as receivables increased by 15.8% from RMB40,718 million as of December 31, 2014 to RMB47,137 million as of December 31, 2015, primarily due to an increase in our holding of asset management plans, which was partially offset by a decrease in our holding of trust fund plans. Our holding of asset management plans classified as receivables, net of allowance for impairment losses, increased by 39.2% from RMB29,795 million as of December 31, 2014 to RMB41,471 million as of December 31, 2015, primarily due to our increased investment in certain asset management plans with standard credit assets as underlying assets in the fourth quarter of 2015 to seek higher returns. Our holding of trust fund plans, net of allowance for impairment losses, decreased by 40.3% from RMB9,491 million as of December 31, 2014 to RMB5,666 million as of December 31, 2015, primarily due to our decreased allocation of funds to these financial assets as a result of tightened regulatory restrictions. Investments classified as receivables increased by 61.3% from RMB47,137 million as of December 31, 2015 to RMB76,013 million as of December 31, 2016, primarily due to our increased investment in asset management plans with standard credit assets as underlying assets to seek higher returns.

Distribution of Financial Investments by Remaining Maturity

The following table sets forth, as of the date indicated, the balance of our debt instruments by remaining maturity.

	As of December 31, 2016						
	Overdue	Repayable on demand	Due up to 3 months	Due over 3 months up to 12 months	Due over 1 year up to 5 years	Due more than 5 years	Total
	(in millions of RMB)						
Debt securities issued by:							
PRC government[(1)]	—	—	140	471	11,648	8,593	20,852
PRC policy banks	—	—	1,663	3,942	34,655	7,011	47,271
Other PRC banks and financial institutions	—	—	126	7,014	1,342	1,655	10,137
PRC corporate issuers	—	—	320	2,786	2,084	97	5,287
Subtotal	—	—	2,249	14,213	49,729	17,356	83,547
Asset management plans	1,100	—	11,285	49,139	35,968	—	97,492
Trust fund plans	478	—	1,549	2,066	2,117	—	6,210
Wealth management products issued by other financial institutions	—	1	1,400	1,800	—	—	3,201
Total debt instruments	**1,578**	**1**	**16,483**	**67,218**	**87,814**	**17,356**	**190,450**

(1) Includes central and local governments.

Carrying Value and Fair Value

All available-for-sale financial assets are stated at fair value. The following table sets forth, as of the dates indicated, the carrying value and the fair value of the receivables and held-to-maturity securities in our investment portfolio.

	As of December 31,					
	2014		2015		2016	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	(in millions of RMB)					
Held-to-maturity investments	8,551	8,825	18,434	19,037	25,782	26,037
Receivables	40,717	40,717	47,137	47,137	76,012	76,012

Investment Concentration

The table below sets forth, as of the date indicated, our holding of financial investments and other debt securities whose carrying value exceeded 10% of our shareholders' equity:

	As of December 31, 2016			
	Carrying value	% of total financial investments and other debt securities	% of total shareholders' equity	Market/ fair value
	(in millions of RMB, except percentages)			
China Development Bank Corporation	21,203	9.4%	56.0%	21,041
Sunshine Asset Management Corporation Limited	18,600	8.2	49.2	18,600
Agricultural Development Bank of China	14,986	6.6	39.6	14,720
Wanlian Securities Co., Ltd	14,756	6.5	39.0	14,756
The Export-Import Bank of China	12,538	5.5	33.1	12,271
People's Government of Guangdong Province	12,004	5.3	31.7	11,979
Bank of China Investment Management	11,991	5.3	31.7	11,991
Tian Hong Innovation Asset Management Co., Ltd.	11,701	5.2	30.9	11,701
MOF	8,952	4.0	23.7	8,646
Shenzhen Rongtong Capital Management Co., Ltd.	7,945	3.5	21.0	7,945
Lion Fund Management Co., Ltd.	7,507	3.3	19.8	7,507
E Fund Asset Management Co., Ltd.	6,577	2.9	17.4	6,577
China Universal Capital Investment Co., Ltd	5,461	2.4	14.4	5,461
Bosera Asset Management Co., Ltd.	5,210	2.3	13.8	5,210
Zhongying Yili Asset Management Co., Ltd.	4,000	1.8	10.6	4,000
Total	**163,431**	**72.2%**	**431.9%**	**162,405**

Other Components of Our Assets

Other components of our assets consist primarily of (i) cash and balances with central bank, (ii) financial assets at fair value through profit or loss, (iii) deposits with banks and other financial institutions, (iv) placements with banks and other financial institutions, and (v) reverse repurchase agreements.

Cash and Balances with Central Bank

Cash and balances with central bank consist primarily of cash, statutory deposit reserves and surplus reserves. Statutory deposit reserves represent the minimum level of cash deposits that we are required to maintain at PBoC. The minimum level is determined as a percentage of our deposits from customers. Surplus reserves are deposits with PBoC, in excess of statutory deposit reserves which we maintain for settlement and clearing purposes. Our cash and balances with central bank increased by 4.5% from RMB78,636 million as of December 31, 2014 to RMB82,151 million as of December 31, 2015, primarily due to an increase in our surplus reserve, which was partially offset by a decrease in our statutory deposit reserve. The increase in our surplus reserve was primarily due to our enhanced liquidity management towards the end of 2015. The decrease in our statutory deposit reserve was primarily due to a decrease in the statutory reserve ratio applicable to us in 2015. Cash and balances with central bank remained relatively stable at RMB82,151 million and RMB83,023 million as of December 31, 2015 and 2016, respectively.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss consist primarily of debt securities and investments in money market funds (held directly and through certain asset management plans) that we held for trading purposes. The following table sets forth, as of the dates indicated, the components of our financial assets at fair value through profit or loss.

	As of December 31,		
	2014	2015	2016
	(in millions of RMB)		
Debt securities held for trading purposes	1,470	7,986	7,162
Money market funds			
Directly held	—	19,813	28,208
Held through asset management plans	—	24,011	—
Debt funds	—	—	610
Total	**1,470**	**51,810**	**35,980**

Financial assets at fair value through profit or loss increased significantly from RMB1,470 million as of December 31, 2014 to RMB51,810 million as of December 31, 2015, primarily because we increased our holding of monetary funds from nil as of December 31, 2014 to RMB43,824 million as of December 31, 2015, as we started to invest in money market funds in 2015 to diversify our trading portfolio. Financial assets at fair value through profit or loss decreased by 30.6% from RMB51,810 million as of December 31, 2015 to RMB35,980 million as of December 31, 2016, primarily due to our decreased investment in money market funds and increased allocation of funds to other assets of higher yields.

Deposits with Banks and Other Financial Institutions

Deposits with banks and other financial institutions consist primarily of our balances maintained at banks and other financial institutions for payment and settlement and business cooperation purposes. Our deposits with banks and other financial institutions increased by 53.5% from RMB32,226 million as of December 31, 2014 to RMB49,482 million as of December 31, 2015, primarily reflecting the overall growth in our interbank market business. Deposits with banks and other financial institutions decreased by 62.9% from RMB49,482 million as of December 31, 2015 to RMB18,381 million as of December 31, 2016, primarily due to our reduced allocation of funds to these financial assets as a part of our liquidity management measures and because certain of our deposits with other financial institutions became due.

Placements with Banks and Other Financial Institutions

Placements with banks and other financial institutions consist primarily of interbank lending. Our placements with banks and other financial institutions, net of allowance for impairment losses, decreased by 84.6% from RMB10,940 million as of December 31, 2014 to RMB1,687 million as of December 31, 2015, primarily because we increased allocation of funds into other assets of higher yields as these placements had relatively low yield in 2015. Placements with banks and other financial institutions more than doubled from RMB1,687 million as of December 31, 2015 to RMB3,911 million as of December 31, 2016, primarily reflecting changes in our liquidity and in market demands.

Reverse Repurchase Agreements

Our reverse repurchase agreements decreased by 43.9% from RMB60,961 million as of December 31, 2014 to RMB34,177 million as of December 31, 2015, primarily because we increased allocations of funds to other assets with relatively higher yields as a result of a decrease in the yields of these assets in 2015. Reverse repurchase agreements more than doubled from RMB34,177 million as of December 31, 2015 to RMB79,963 million as of December 31, 2016, primarily reflecting an increase in our funds available towards the end of 2016.

LIABILITIES AND SOURCES OF FUNDS

Our total liabilities increased by 26.1% from RMB434,021 million as of December 31, 2014 to RMB547,111 million as of December 31, 2015, which further increased by 13.9% to RMB623,111 million as of December 31, 2016.

The following table sets forth, as of the dates indicated, the components of our total liabilities.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Deposits from customers	354,439	81.6%	391,062	71.4%	423,742	68.0%
Deposits from banks and other financial institutions	42,017	9.7	104,063	19.0	33,581	5.4
Placements from banks and other financial institutions	7,000	1.6	1,000	0.2	1,798	0.3
Repurchase agreements	8,643	2.0	11,406	2.1	48,598	7.8
Debt securities issued	12,522	2.9	21,677	4.0	92,295	14.8
Others(1)	9,400	2.2	17,903	3.3	23,097	3.7
Total liabilities	**434,021**	**100.0%**	**547,111**	**100.0%**	**623,111**	**100.0%**

(1) Consists primarily of interest payable, borrowings from other banks and salaries, bonuses, allowances and subsidies payable.

Deposits from Customers

Deposits from customers have historically been our primary source of funding and represented 81.6%, 71.4% and 68.0% of our total liabilities as of December 31, 2014, 2015 and 2016, respectively. We provide demand and time deposit products to corporate and retail customers. The following table sets forth, as of the dates indicated, our deposits from customers by product type.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Corporate deposits[(1)]						
Time	72,562	20.5%	82,014	21.0%	82,713	19.5%
Demand	61,512	17.3	73,272	18.7	96,876	22.9
Subtotal	134,074	37.8	155,286	39.7	179,589	42.4
Personal deposits						
Time	106,004	29.9	110,714	28.3	110,200	26.0
Demand	64,375	18.2	71,171	18.2	81,439	19.2
Subtotal	170,379	48.1	181,885	46.5	191,639	45.2
Pledged deposits	12,059	3.4	17,916	4.6	11,538	2.7
Other deposits[(2)]	37,927	10.7	35,975	9.2	40,976	9.7
Deposits from customers	**354,439**	**100.0%**	**391,062**	**100.0%**	**423,742**	**100.0%**

(1) Consists primarily of deposits from corporate customers and government authorities.
(2) Consists primarily of structured deposits raised from our issuance of principal-protected wealth management products, treasury time deposits and fiscal deposits.

Our total deposits from customers increased by 10.3% from RMB354,439 million as of December 31, 2014 to RMB391,062 million as of December 31, 2015, primarily due to increases in both our corporate and personal deposits. Our total deposits from customers increased by 8.4% from RMB391,062 million as of December 31, 2015 to RMB423,742 million as of December 31, 2016, primarily attributable to an increase in our corporate deposits.

Corporate deposits represented 37.8%, 39.7% and 42.4% of our total deposits from customers as of December 31, 2014, 2015 and 2016, respectively. Our corporate deposits increased by 15.8% from RMB134,074 million as of December 31, 2014 to RMB155,286 million as of December 31, 2015 due to increases in both demand and time deposits from corporate customers. Our corporate deposits increased by 15.7% from RMB155,286 million as of December 31, 2015 to RMB179,589 million as of December 31, 2016, primarily attributable to an increase in demand corporate deposits from RMB73,272 million as of December 31, 2015 to RMB96,876 million as of December 31, 2016, primarily reflecting our efforts to grow our demand deposits, being a source of funds with relatively low costs, to maximize our profit.

Personal deposits represented 48.1%, 46.5% and 45.2% of our total deposits from customers as of December 31, 2014, 2015 and 2016, respectively. Our personal deposits increased by 6.8% from RMB170,379 million as of December 31, 2014 to RMB181,885 million as of December 31, 2015, primarily reflecting our overall business growth. Our personal deposits increased by 5.4% from RMB181,885 million as of December 31, 2015 to RMB191,639 million as of December 31, 2016, primarily attributable to an increase in our personal demand deposits from RMB71,171 million as of December 31, 2015 to RMB81,439 million as of December 31, 2016, primarily reflecting our efforts to increase our funding from demand deposits, which bore relatively low costs, to maximize our profit.

Distribution of Deposits by Geographical Region

We classify the geographic distribution of deposits based on the location of the branch taking the deposits. The following table sets forth, as of the dates indicated, the distribution of our deposits from customers by geographic region.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Guangzhou	338,870	95.6%	364,750	93.3%	386,459	91.2%
Outside Guangzhou[1]	15,569	4.4	26,312	6.7	37,283	8.8
Total deposits from customers	**354,439**	**100.0%**	**391,062**	**100.0%**	**423,742**	**100.0%**

(1) Represents deposits taken by our branches, sub-branches and Zhujiang County Banks outside Guangzhou. For details on the distribution of our branches, sub-branches and Zhujiang County Banks, see "Business—Distribution Network."

Distribution of Deposits by Remaining Maturity

A majority of our deposits from customers as of December 31, 2016 were time deposits. The following table sets forth, as of the dates indicated, the distribution of our deposits from customers by remaining maturity.

	As of December 31, 2016											
	Repayable on demand		Due up to 3 months		Due over 3 months up to 12 months		Due over 1 year up to 5 years		Due more than 5 years			
	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Total	% of total deposits
	(in millions of RMB, except percentages)											
Corporate deposits												
Time	3,969	0.9%	15,491	3.7%	27,794	6.6%	34,419	8.1%	1,040	0.2%	82,713	19.5%
Demand	96,876	22.9	—	—	—	—	—	—	—	—	96,876	22.9
Subtotal	100,845	23.8	15,491	3.7	27,794	6.6	34,419	8.1	1,040	0.2	179,589	42.4
Personal deposits												
Time	1,777	0.4	30,949	7.3	50,786	12.0	26,688	6.3	—	—	110,200	26.0
Demand	81,439	19.2	—	—	—	—	—	—	—	—	81,439	19.2
Subtotal	83,216	19.6	30,949	7.3	50,786	12.0	26,688	6.3	—	—	191,639	45.2
Pledged deposits	2,004	0.5	2,850	0.7	5,609	1.3	1,075	0.3	—	—	11,538	2.7
Other deposits[1]	6,118	1.4	24,219	5.7	10,639	2.5	—	—	—	—	40,976	9.7
Total deposits from customers	**192,183**	**45.4%**	**73,509**	**17.3%**	**94,828**	**22.4%**	**62,182**	**14.7%**	**1,040**	**0.2%**	**423,742**	**100.0%**

(1) Consists primarily of structured deposits raised from our issuance of principal-protected wealth management products, treasury time deposits and fiscal deposits.

Deposits from Customers by Currency

Substantially all of our deposits from customers as of December 31, 2016 were denominated in Renminbi. The following table sets forth, as of the dates indicated, the distribution of our deposits from customers by currency.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Renminbi denominated deposits	351,309	99.1%	388,629	99.4%	422,648	99.7%
U.S. dollar denominated deposits	2,992	0.8	2,264	0.5	665	0.2
Hong Kong Dollar denominated deposits	136	0.1	166	0.1	424	0.1
Other foreign currency denominated deposits	2	—	3	—	5	—
Total deposits from customers	**354,439**	**100.0%**	**391,062**	**100.0%**	**423,742**	**100.0%**

Distribution of Corporate Deposits by Size

The following table sets forth, as of the dates indicated, the distribution, in terms of total balance of deposits from a single customer, of our deposits from corporate customers by size.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Up to RMB10 million	22,848	17.0%	23,500	15.1%	24,549	13.7%
Over RMB10 million to RMB100 million	40,048	29.9	44,794	28.9	50,348	28.0
Over RMB100 million	71,178	53.1	86,992	56.0	104,692	58.3
Total deposits from corporate customers	**134,074**	**100.0%**	**155,286**	**100.0%**	**179,589**	**100.0%**

Distribution of Personal Deposits by Size

The following table sets forth, as of the dates indicated, the distribution, in terms of total balance of deposits from a single customer, of our deposits from retail customers by size.

	As of December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Up to RMB50,000	32,005	18.8%	32,199	17.7%	29,714	15.5%
Over RMB50,000 up to RMB200,000	53,719	31.5	55,321	30.4	55,827	29.1
Over RMB200,000 up to RMB500,000	40,322	23.7	43,583	24.0	46,822	24.4
Over RMB500,000 up to RMB1 million	21,443	12.6	23,524	12.9	26,690	13.9
Over RMB1 million	22,890	13.4	27,258	15.0	32,586	17.0
Total personal deposits	**170,379**	**100.0%**	**181,885**	**100.0%**	**191,639**	**100.0%**

Other Components of Our Liabilities

Other components of our liabilities consist primarily of (i) debt securities issued, (ii) deposits from banks and other financial institutions, and (iii) repurchase agreements.

Debt securities issued consist primarily of (i) subordinated bonds we issued on June 28, 2012, (ii) tier-two capital bonds we issued on September 11, 2014, and (iii) certificates of interbank deposits we issued from time to time. Our debt securities issued increased by 73.1% from RMB12,522 million as of December 31, 2014 to RMB21,677 million as of December 31, 2015, which further increased significantly to RMB92,295 million as of December 31, 2016, primarily due to our issuance of certificates of deposit in 2015 and 2016.

Deposits from banks and other financial institutions more than doubled from RMB42,017 million as of December 31, 2014 to RMB104,063 million as of December 31, 2015, which decreased by 67.7% to RMB33,581 million as of December 31, 2016. The changes in these financial liabilities primarily reflected changes in our liquidity needs and in the cost of deposits from banks and other financial institutions as a source of funds at the respective dates.

Repurchase agreements increased by 32.0% from RMB8,643 million as of December 31, 2014 to RMB11,406 million as of December 31, 2015, which further increased significantly to RMB48,598 million as of December 31, 2016. The changes in these financial liabilities primarily reflected changes in our liquidity needs and in the cost of repurchase agreements as a source of funds at the respective dates.

You should read the discussion and analysis set forth in this section in conjunction with our consolidated financial statements, together with the accompanying notes, included in Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with IFRS. Capital adequacy ratios discussed in this section are calculated in accordance with applicable CBRC guidelines and based on our consolidated financial statements prepared in accordance with PRC GAAP.

OVERVIEW

Our Bank is a leading rural commercial bank in China and ranked first among rural commercial banks in Guangdong Province in terms of total assets, net assets, deposits, loans, operating income and net profits as of and for the year ended December 31, 2016. According to "Top 1000 World Banks 2016" by *The Banker*, we ranked 203rd among commercial banks in the world, 30th among commercial banks in China and fourth among rural commercial banks in China in terms of tier-one capital. According to "Top 500 Chinese Enterprises in 2016 (「2016中國企業500強」) published by China Enterprise Confederation and China Enterprise Directors Association, we ranked 441st in terms of operating income, up 32 positions as compared to that in 2015. Moreover, we are the only rural commercial bank that has been listed in such ranking for two consecutive years. As of December 31, 2016, our Bank ranked third and seventh among all commercial banks in Guangzhou in terms of deposits and loans, with a market share of 10.0% and 7.2%, respectively, according to PBoC Guangzhou Branch.

We have operated our business in a prudent manner with rigorous risk management. Our total assets increased from RMB466.6 billion as of December 31, 2014 to RMB661.0 billion as of December 31, 2016, representing a CAGR of 19.0%. Our operating income increased from RMB13,859 million in 2014 to RMB15,240 million in 2016. As of December 31, 2016, our NPL ratio was 1.81%, lower than the average of 2.49% of rural commercial banks in China.

GENERAL FACTORS THAT AFFECT OUR RESULTS OF OPERATIONS

Economic Conditions of the PRC and Guangdong Province

We are headquartered in Guangzhou, Guangdong Province of the PRC. Our financial condition and results of operations are affected by the economic conditions of the PRC and the economic measures taken by the PRC government, in particular the factors relating to the economic development in Guangdong Province. China has experienced a rapid economic growth over the past three decades. According to data released by NBS, from 2011 to 2016, China's nominal GDP increased from RMB48.4 trillion to RMB74.4 trillion, representing a CAGR of 9.0%, and the fixed asset investments in China grew at a CAGR of 14.3%. The PRC's economic growth has resulted in a substantial increase in corporate activities and individual wealth, which has in turn promoted the rapid business growth of PRC commercial banks.

The economy of the Guangdong Province and Guangzhou continue to grow at a high speed in recent years. The nominal GDP of Guangdong Province amounted to RMB7,951.2 billion in 2016, ranking top among all mainland China provinces and municipalities and growing at a CAGR of 8.4% from 2011 to 2016. The nominal GDP of Guangzhou amounted to RMB1,961.1 billion in 2016, ranking top in Guangdong Province and growing at a CAGR of 9.6% from 2011 to 2016. The State Council published the General Planning of the PRC (Guangdong) Free Trade Pilot Zone in 2015, announcing its decision to establish a free trade pilot zone in Guangdong Province as a model area for in-depth cooperation among the Guangdong region, Hong Kong and Macau, a key hub for the Twenty-first Century Maritime Silk Road, and a pilot region for another round of nation-wide reform. During the Track Record Period, our operational income was generated primarily in the Guangdong Province. The current and future economic conditions of Guangdong Province and Guangzhou may impact our business, financial condition and results of operations.

In recent years, the PRC government has implemented a series of macroeconomic and monetary policies, including (i) adjusting the benchmark interest rates and the PBoC statutory deposit reserve ratio applicable to commercial banks; (ii) imposing lending limits to control the growth of bank loans; (iii) imposing restrictions on residential mortgage loans and loans to property developers to curb overheating of the real estate market; and (iv) promoting the growth of certain industries or controlling overheating and overcapacity in certain other industries by issuing industry development guidelines. Many of these policies have had a significant impact on lending activities and the demand for and access to bank financing, which further has significantly affected our financial condition and results of operations.

Interest Rates Environment

Our results of operations largely depend on our net interest income. For the years ended December 31, 2014, 2015 and 2016, our net interest income accounted for 86.6%, 71.5% and 70.0% of our total operating income, respectively. Net interest income is affected by interest rates and the balance of our interest-earning assets and interest-bearing liabilities. Interest rates applicable to us are sensitive to many factors that are beyond our control, such as the regulations in the banking and financial sectors in the PRC, domestic and international economic and political conditions, as well as competition.

In China, interest rates on Renminbi-denominated loans and deposits are set by commercial banks with reference to the benchmark interest rates on loans and deposits published and adjusted from time to time by PBoC. PBoC lowered the benchmark interest rates on Renminbi-denominated loans and deposits several times in recent years. See "Supervision and Regulation—Pricing of Products and Services—Interest Rates for Loans and Deposits." Effective June 8, 2012, PBoC allowed financial institutions to set interest rates on RMB-denominated deposits up to 110% of the PBoC benchmark rates, which was subsequently raised to 120%, 130% and 150% of the PBoC benchmark rates on November 22, 2014, March 1, 2015 and May 11, 2015, respectively. Effective August 26, 2015, PBoC removed the cap on the interest rates on RMB-denominated time deposits with tenors of longer than one year while the cap on the interest rates on RMB-denominated demand deposits and time deposits with tenors up to one year remained unchanged. Furthermore, effective October 24, 2015, PBoC removed the cap on interest rates on deposits and allowed commercial banks in China to set interest rates on deposits based on commercial considerations. On July 20, 2013, PBoC removed the floor rates for RMB-denominated loans (except for interest rates on residential mortgage loans) and allowed financial institutions to set interest rates based on commercial considerations. The liberalization of interest rates may intensify competition in the PRC banking industry, thereby affecting our business, results of operations and financial condition.

Regulatory Environment

The PRC commercial banking industry is highly regulated. Our business, financial condition and results of operations are materially affected by changes in PRC banking laws, rules, regulations and policies such as the scope of business activities PRC commercial banks are permitted to engage in, interests and fees PRC commercial banks are allowed to charge and restrictions imposed by regulatory authorities on PRC commercial banks in respect of credit extension to borrowers in specific industries or specific loan products. PRC commercial banks are mainly regulated by CBRC and PBoC and are also subject to supervision and regulation by other regulatory authorities such as MOF, SAFE, CSRC and CIRC. In addition, the PRC banking regulatory authorities have enhanced regulation on wealth management and interbank businesses of commercial banks, while restrictions on the asset securitization market have been relaxed. See "Supervision and Regulation." New regulations issued by regulatory authorities may have impacts on our business, financial condition and results of operations.

Competitive Landscape in the Banking Industry

Our operations are mainly affected by the competition in the banking industry of Guangdong Province and the competition in the banking industry in other regions where our branches, sub-branches and county banks are located. We compete primarily with commercial banks conducting business in Guangdong Province and, particularly, in Guangzhou. We also face competition from non-bank financial institutions as the PRC banking industry and capital market rapidly grow. We compete with our competitors mainly on product mix and price, service quality, brand recognition, distribution networks and information technology. The increase in competition and the resulting changes in the PRC banking industry may affect the pricing of our loans and deposits and the pricing of and income from our fee- and commission-based business. See "Industry Overview—Overview of China's Banking Industry" and "Business – Competition."

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

China has launched a number of initiatives to develop a multi-layered capital market and has encouraged enterprises to seek direct financing from the capital markets, which may affect the core businesses of PRC commercial banks. The deepening of China's debt capital markets may impact our lending business, as certain corporate borrowers may issue debt securities at lower costs to meet their financing needs and thus have lower demands for bank loans. On the other hand, the development of China's capital markets may allow us to expand our fee- and commission-based business, such as our investment banking business and funds distribution, and broaden the scope of securities we may invest in. Furthermore, China's traditional banking financial institutions are also facing new challenges from development in financial products and technology, for example, online wealth management products, third-party online payment platforms and Internet-based financing service platforms. These development in products and technologies may affect the business, financial condition and results of operations of PRC commercial banks.

In addition, fluctuations of market price or fair value of financial investments that we hold has had and will continue to have an impact on our business, financial condition and results of operations. Since November 2016, the global bond market has been fluctuating significantly. The PRC market, including China's onshore bond market, has also been affected and has experienced heightened volatility. The decrease in the PRC bond market prices was accompanied by an increase in the 10-year PRC government bond yield, reaching 3.4% in mid-December 2016, being the highest since the fourth quarter of 2016. On December 15, 2016, the 10-year and five-year government bond futures recorded a drop of 2% and 1.2%, respectively. The PRC authorities halted the trading in these futures during the day, which was only resumed after PBoC's short-term liquidity injection into the market. Our financial condition and results of operations was affected by these unfavorable developments in the PRC bond market, as a large proportion of our trading and investment portfolio consists of debt securities traded on the PRC interbank bond market.

SELECTED FINANCIAL DATA

The following table sets forth, for the years indicated, our consolidated income statements.

	For the year ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Interest income	23,360	24,087	23,386
Interest expense	(11,354)	(12,491)	(12,715)
Net interest income	12,006	11,596	10,671
Fee and commission income	1,889	3,048	3,192
Fee and commission expense	(147)	(158)	(216)
Net fee and commission income	1,742	2,890	2,976
Net trading income	95	551	986
Net gains on financial investments	2	958	451
Other income, gains or losses	14	218	156
Operating income	13,859	16,213	15,240
Operating expenses	(5,283)	(5,773)	(5,457)
Provisions for impairment losses	(1,522)	(4,011)	(3,260)
Profit before tax	7,054	6,429	6,523
Income tax expense	(1,573)	(1,429)	(1,417)
Net profit	**5,481**	**5,000**	**5,106**

The following table sets forth, as of the dates indicated, our consolidated statements of financial position.

	As of December 31,		
	2014	2015	2016
	(in millions of RMB)		
Assets			
Cash and balances with central bank	78,636	82,151	83,023
Deposits with banks and other financial institutions	32,226	49,482	18,381
Placements with banks and other financial institutions	10,940	1,687	3,911
Financial assets at fair value through profit or loss	1,470	51,810	35,980
Reverse repurchase agreements	60,961	34,177	79,963
Loans and advances to customers	180,720	216,780	237,935
Financial investments	94,728	137,694	190,073
Property and equipment	2,228	2,098	2,025
Deferred income tax assets	1,298	2,001	3,273
Other assets(1)	3,401	4,927	6,387
Total assets	**466,608**	**582,807**	**660,951**
Liabilities			
Due to central bank	600	1,006	537
Deposits from banks and other financial institutions	42,017	104,063	33,581
Placements from banks and other financial institutions	7,000	1,000	1,798
Financial liabilities at fair value through profit or loss	—	—	—
Repurchase agreements	8,643	11,406	48,598
Due to customers	354,439	391,062	423,742
Income tax payable	327	1,077	1,218
Debt securities issued	12,522	21,677	92,295
Deferred income tax liabilities	1	—	—
Other liabilities(2)	8,472	15,820	21,342
Total liabilities	**434,021**	**547,111**	**623,111**
Equity			
Share capital	8,153	8,153	8,153
Reserves	12,661	14,843	15,380
Retained profits	9,847	10,782	12,312
Equity attributable to equity holders of our Bank	30,661	33,778	35,845
Non-controlling interests	1,926	1,918	1,995
Total equity	**32,587**	**35,696**	**37,840**
Total liabilities and equity	**466,608**	**582,807**	**660,951**

(1) Consists primarily of interest receivable, repossessed assets, and receivables and prepayments.
(2) Consists primarily of interest payable, borrowings from other banks and salaries, bonuses, allowances and subsidies payable.

The following table sets forth, for the years indicated or as of the dates indicated, our selected financial ratios on a consolidated basis.

	For the year ended December 31,		
	2014	2015	2016
Profitability indicators			
Return on average total assets[1]	1.30%	0.95%	0.82%
Return on average equity[2]	18.16%	14.65%	13.89%
Net interest spread[3]	2.67%	2.31%	1.99%
Net interest margin[4]	2.91%	2.50%	1.98%
Net fee and commission income to operating income	12.6%	17.8%	19.5%
Cost-to-income ratio[5]	30.95%	28.37%	32.77%

(1) Calculated by dividing net profit for the period by average balance of total assets at the beginning and the end of the period.
(2) Calculated by dividing net profit for the period by average balance of total equity at the beginning and the end of the period.
(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
(4) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.
(5) Calculated by dividing total operating expenses (excluding business tax and surcharges) by total operating income.

	Regulatory Requirements	As of December 31,		
		2014	2015	2016
Capital adequacy indicators				
Core tier-one capital adequacy ratio[1]	≥6.7%[2]	11.16%	10.28%	9.90%
Tier-one capital adequacy ratio[3]	≥7.7%[2]	11.17%	10.29%	9.92%
Capital adequacy ratio[4]	≥9.7%[2]	14.45%	12.76%	12.16%
Total equity to total assets	N/A	6.98%	6.12%	5.73%
Asset quality indicators				
Non-performing loan ratio[5]	≤5%	1.54%	1.80%	1.81%
Allowance coverage ratio[6]	≥150%	183.37%	170.79%	178.58%
Allowance to gross loan ratio[7]	≥2.5%	2.83%	3.08%	3.24%
Other indicator				
Loan-to-deposit ratio[8]	N/A	52.47%	57.19%	58.03%

(1) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets. For the components of core tier-one capital, core tier-one capital deductions and risk-weighted assets under the Capital Administrative Measures, see "Supervision and Regulation—Supervision over Capital Adequacy—Latest CBRC Supervisory Standards Over Capital Adequacy" and "—Capital Resources—Capital Adequacy."
(2) Represents the regulatory requirements applicable to us as of December 31, 2016. Pursuant to the CBRC Notice on the Transitional Period of the Implementation of the Administrative Measures for the Capital of Commercial Banks (Trial) (《中國銀監會關於實施<商業銀行資本管理辦法（試行）>過渡期安排相關事項的通知》), as of December 31, 2014 and 2015, we were required to maintain our core tier-one capital adequacy ratio of no lower than 5.9% and 6.3%, respectively, tier-one capital adequacy ratio of 6.9% and 7.3%, respectively, and capital adequacy ratio of 8.9% and 9.3%, respectively.
(3) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets. For the components of tier-one capital, tier-one capital deductions and risk-weighted assets under the Capital Administrative Measures, see "Supervision and Regulation—Supervision over Capital Adequacy—Latest CBRC Supervisory Standards Over Capital Adequacy" and "—Capital Resources—Capital Adequacy."
(4) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets. For the components of our total capital, capital deductions and risk-weighted assets under the Capital Administrative Measures, see "Supervision and Regulation—Supervision over Capital Adequacy—Latest CBRC Supervisory Standards Over Capital Adequacy" and "—Capital Resources—Capital Adequacy."
(5) Calculated by dividing total non-performing loans by gross loans to customers.
(6) Calculated by dividing total allowance for impairment losses on loans to customers by total non-performing loans.
(7) Calculated by dividing total allowance for impairment losses on loans to customers by gross loans to customers.
(8) Calculated by dividing total loans to customers by total customer deposits. Prior to October 1, 2015, PRC commercial banks were required to maintain a loan-to-deposit ratio of no higher than 75%. Effective from October 1, 2015, the PRC Commercial Bank Law was amended and the 75% maximum loan-to-deposit ratio was repealed.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2014, 2015 AND 2016

The following table sets forth, for the years indicated, our consolidated income statement.

	For the year ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Interest income	23,360	24,087	23,386
Interest expense	(11,354)	(12,491)	(12,715)
Net interest income	12,006	11,596	10,671
Fee and commission income	1,889	3,048	3,192
Fee and commission expense	(147)	(158)	(216)
Net fee and commission income	1,742	2,890	2,976
Net trading income	95	551	986
Net gains on financial investments	2	958	451
Other income, gains or losses	14	218	156
Operating income	13,859	16,213	15,240
Operating expenses	(5,283)	(5,773)	(5,457)
Provisions for impairment losses	(1,522)	(4,011)	(3,260)
Profit before tax	7,054	6,429	6,523
Income tax expense	(1,573)	(1,429)	(1,417)
Net profit	**5,481**	**5,000**	**5,106**

Our net profit decreased by 8.8% from RMB5,481 million for the year ended December 31, 2014 to RMB5,000 million for the year ended December 31, 2015, primarily due to a significant increase in our provisions for impairment losses in 2015.

Our net profit remained relatively stable at RMB5,000 million and RMB5,106 million for the years ended December 31, 2015 and 2016, respectively, primarily attributable to decreases in our provisions for impairment losses and operating expenses and an increase in our net trading income, which were partially offset by a decrease in our net interest income.

Net Interest Income

Net interest income is the largest component of our operating income, representing 86.6%, 71.5% and 70.0% of our operating income for the years ended December 31, 2014, 2015 and 2016, respectively.

The following table sets forth, for the years indicated, our interest income, interest expense and net interest income.

	For the year ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Interest income	23,360	24,087	23,386
Interest expense	(11,354)	(12,491)	(12,715)
Net interest income	**12,006**	**11,596**	**10,671**

Our net interest income decreased by 3.4% from RMB12,006 million in 2014 to RMB11,596 million in 2015, primarily due to a 10.0% increase in our interest expense from RMB11,354 million in 2014 to RMB12,491 million in 2015, which was partially offset by a 3.1% increase in our interest income from RMB23,360 million in 2014 to RMB24,087 million in 2015.

Our net interest income decreased by 8.0% from RMB11,596 million in 2015 to RMB10,671 million in 2016, primarily due to a 2.9% decrease in our interest income from RMB24,087 million in 2015 to RMB23,386 million in 2016.

The following table sets forth, for the years indicated, the daily average balances of our interest-earning assets and interest-bearing liabilities and the related interest income or expense and the related average yields on interest-earning assets or related average costs of interest-bearing liabilities.

	For the year ended December 31,								
	2014			2015			2016		
	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost
	(in millions of RMB, except percentages)								
Interest-earning assets									
Loans to customers	178,668	12,768	7.15%	211,467	14,248	6.74%	248,165	13,502	5.44%
Financial investments(1)	104,821	6,076	5.80	117,156	5,988	5.11	176,248	7,189	4.08
Deposits and placements with banks and other financial institutions	12,348	557	4.51	23,989	1,212	5.05	23,111	870	3.76
Reverse repurchase agreements	55,428	2,995	5.40	50,356	1,687	3.35	32,376	895	2.76
Deposits with central bank(2)	62,022	964	1.55	61,778	952	1.54	60,342	930	1.54
Total interest-earning assets	**413,287**	**23,360**	**5.65%**	**464,746**	**24,087**	**5.18%**	**540,242**	**23,386**	**4.33%**
Interest-bearing liabilities									
Deposits from customers	319,728	8,072	2.52%	365,853	9,557	2.61%	388,466	7,806	2.01%
Deposits and placements from banks and other financial institutions(3)	37,761	2,174	5.76	41,161	1,879	4.57	66,777	2,072	3.10
Repurchase agreements	17,042	782	4.59	14,027	340	2.42	19,837	451	2.27
Debt securities issued	5,297	317	5.98	13,160	699	5.31	68,567	2,362	3.44
Borrowings from central bank	576	9	1.56	744	16	2.15	816	24	2.94
Total interest-bearing liabilities	**380,404**	**11,354**	**2.98%**	**434,945**	**12,491**	**2.87%**	**544,463**	**12,715**	**2.34%**
Net interest income		**12,006**			**11,596**			**10,671**	
Net interest spread(4)			**2.67%**			**2.31%**			**1.99%**
Net interest margin(5)			**2.91%**			**2.50%**			**1.98%**

(1) Consists of our holdings of available-for-sale financial assets, held-to-maturity investments and investments classified as receivables.
(2) Consists primarily of statutory deposits reserves and surplus reserves.
(3) Consists of interest expense on our deposits and placements from banks and other financial institutions, as well as borrowings from other banks incurred by Zhujiang Financial Leasing Co., Ltd..
(4) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
(5) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.

The following table sets forth, for the years indicated, the allocation of changes in our interest income and interest expense due to changes in volume and changes in rate. Changes in volume are measured by changes in the average balances and changes in rate are measured by changes in the average rates. Changes caused by both volume and rate have been allocated to changes caused by rate.

	For the year ended December 31,					
	2015 vs. 2014			2016 vs. 2015		
	Increase/ (decrease) due to		Net increase/ (decrease)[3]	Increase/ (decrease) due to		Net increase/ (decrease)[3]
	Volume[1]	Rate[2]		Volume[1]	Rate[2]	
	(in millions of RMB)					
Interest-earning assets						
Loans to customers	2,344	(864)	1,480	2,473	(3,219)	(746)
Financial investments[4]	715	(803)	(88)	3,020	(1,819)	1,201
Deposits and placements with banks and other financial institutions	525	130	655	(44)	(298)	(342)
Reverse repurchase agreements	(274)	(1,034)	(1,308)	(602)	(190)	(792)
Deposits with central bank[5]	(4)	(8)	(12)	(22)	—	(22)
Changes in interest income	**3,306**	**(2,579)**	**727**	**4,825**	**(5,526)**	**(701)**
Interest-bearing liabilities						
Deposits from customers	1,165	320	1,485	591	(2,342)	(1,751)
Deposits and placements from banks and other financial institutions[6]	195	(490)	(295)	1,169	(976)	193
Repurchase agreements	(138)	(304)	(442)	141	(30)	111
Debt securities issued	472	(90)	382	2,943	(1,280)	1,663
Borrowings from central bank	2	5	7	2	6	8
Changes in interest expense	**1,696**	**(559)**	**1,137**	**4,846**	**(4,622)**	**224**
Changes in net interest income	**1,610**	**(2,020)**	**(410)**	**(21)**	**(904)**	**(925)**

(1) Represents the daily average balance for the period minus the daily average balance for the previous period, multiplied by the average yield/cost for the previous period.
(2) Represents the average yield/cost for the period minus the average yield/cost for the previous period, multiplied by the daily average balance for the period.
(3) Represents interest income/expense for the period minus interest income/expense for the previous period.
(4) Consists for our holdings of available-for-sale financial assets, held-to-maturity investments and investments classified as receivables.
(5) Consists primarily of statutory deposits reserves and surplus reserves.
(6) Consists of interest expense on our deposits and placements with banks and other financial institutions, as well as borrowings from other banks incurred by Zhujiang Financial Leasing Co., Ltd..

Interest Income

The following table sets forth, for the years indicated, the breakdown of our interest income.

	For the year ended December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Interest income from						
Loans to customers	12,768	54.7%	14,248	59.2%	13,502	57.7%
Financial investments[1]	6,076	26.0	5,988	24.9	7,189	30.8
Deposits and placements from banks and other financial institutions	557	2.4	1,212	5.0	870	3.7
Reverse repurchase agreements	2,995	12.8	1,687	7.0	895	3.8
Deposits with central bank[2]	964	4.1	952	4.0	930	4.0
Total	**23,360**	**100.0%**	**24,087**	**100.0%**	**23,386**	**100.0%**

(1) Consists for our holdings of available-for-sale financial assets, held-to-maturity investments and investments classified as receivables.
(2) Consists primarily of statutory deposits reserves and surplus reserves.

Our interest income increased by 3.1% from RMB23,360 million in 2014 to RMB24,087 million in 2015, primarily due to an increase in the average balance of our interest-earning assets by 12.5% from RMB413,287 million in 2014 to RMB464,746 million in 2015, which was partially offset by a decrease in the average yield on our interest-earning assets from 5.65% in 2014 to 5.18% in 2015. The increase in the average balance of our interest-earning assets primarily reflected our overall business growth. The decrease in the average yield on our interest-earning assets was primarily due to a decrease in the market interest rate in 2015.

Our interest income decreased by 2.9% from RMB24,087 million in 2015 to RMB23,386 million in 2016, primarily due to a decrease in the average yields on our interest-earning assets, which was partially offset by an increase in the average balance of our interest-earning assets. The average yield on our interest-earning assets decreased from 5.18% in 2015 to 4.33% in 2016, primarily reflecting the consecutive cuts in the PBoC benchmark interest rate and a decrease in the market interest rate. The average balance of our interest-earning assets increased by 16.2% from RMB464,746 million in 2015 to RMB540,242 million in 2016, primarily attributable to increases in the average balance of our financial investments and loans to customers.

Interest Income from Loans to Customers

Interest income from loans to customers is the largest component of our interest income, representing 54.7%, 59.2% and 57.7% of our interest income in 2014, 2015 and 2016, respectively.

The following table sets forth, for the years indicated, the daily average balance, interest income and average yield for each component of our loans to customers.

	For the year ended December 31,								
	2014			2015			2016		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
	(in millions of RMB, except percentages)								
Corporate loans	117,536	8,419	7.16%	136,197	8,904	6.54%	143,717	8,040	5.59%
Personal loans	56,374	4,125	7.32	66,781	4,851	7.26	75,863	4,449	5.86
Discounted bills	4,758	224	4.71	8,489	493	5.81	28,585	1,013	3.54
Total loans to customers	**178,668**	**12,768**	**7.15%**	**211,467**	**14,248**	**6.74%**	**248,165**	**13,502**	**5.44%**

Interest income from loans to customers increased by 11.6% from RMB12,768 million in 2014 to RMB14,248 million in 2015, primarily due to an increase in the average balance of our loans to customers by 18.4% from RMB178,668 million in 2014 to RMB211,467 million in 2015, which was partially offset by a decrease in the average yield on our loans to customers from 7.15% in 2014 to 6.74% in 2015. The increase in the average balance of our loans to customers primarily reflected the overall growth in our loan business. The decrease in the average yield on our loans to customers was primarily attributable to a decrease in the average yield on our corporate loans.

Interest income from loans to customers decreased by 5.2% from RMB14,248 million in 2015 to RMB13,502 million in 2016, primarily due to a decrease in the average yield on our loans to customers, which was partially offset by an increase in the average balance of our loans to customers.

The average yield on loans to customers decreased from 6.74% in 2015 to 5.44% in 2016, primarily reflecting the consecutive cuts in the PBoC benchmark interest rate. The average balance of our loans to customers increased by 17.4% from RMB211,467 million in 2015 to RMB248,165 million in 2016, primarily reflecting our continued efforts to grow our loan business.

The largest component of our interest income from loans to customers has been interest income from corporate loans, representing 65.9%, 62.5% and 59.5% of our total interest income from loans to customers in 2014, 2015 and 2016, respectively.

2015 Compared to 2014. Interest income from corporate loans increased by 5.8% from RMB8,419 million in 2014 to RMB8,904 million in 2015, primarily due to an increase in the average balance of corporate loans by 15.9% from RMB117,536 million in 2014 to RMB136,197 million in 2015, which was partially offset by a decrease in the average yield on corporate loans from 7.16% in 2014 to 6.54% in 2015. The increase in the average balance of our corporate loans was primarily attributable to an increase in working capital loans, reflecting an increase in our customers' demand for working capital loan products and our increased working capital loans to small and medium enterprises. The decrease in the average yield on our corporate loans primarily reflected a decrease in the market interest rate.

Interest income from personal loans increased by 17.6% from RMB4,125 million in 2014 to RMB4,851 million in 2015, primarily due to an increase in the average balance of our personal loans by 18.5% from RMB56,374 million in 2014 to RMB66,781 million in 2015, primarily reflecting our continued efforts to grow our personal business loan and personal consumption loan businesses.

Interest income from discounted bills more than doubled from RMB224 million in 2014 to RMB493 million in 2015, primarily due to an increase in the average balance of our discounted bills by 78.4% from RMB4,758 million in 2014 to RMB8,489 million in 2015 and, to a lesser extent, an increase in the average yield on our discounted bills from 4.71% in 2014 to 5.81% in 2015. The increase in the average balance of our discounted bills was primarily due to our increased allocation of funds to discounted bills, which had relatively high yields, in early 2015, as well as our overall business growth. The increase in the average yield on our discounted bills primarily reflected the high interest rates for bills discounting market in early 2015.

2016 Compared to 2015. Interest income from corporate loans decreased by 9.7% from RMB8,904 million in 2015 to RMB8,040 million in 2016, primarily due to a decrease in the average yield on corporate loans from 6.54% in 2015 to 5.59% in 2016, which was partially offset by an increase in the average balance of corporate loans by 5.5% from RMB136,197 million in 2015 to RMB143,717 million in 2016. The decrease in the average yield on our corporate loans primarily reflected a decrease in the market interest rate. The increase in the average balance of our corporate loans primarily reflected our continued efforts to grow our corporate loan business, in particular our financial leasing business.

Interest income from personal loans decreased by 8.3% from RMB4,851 million in 2015 to RMB4,449 million in 2016, primarily due to a decrease in the average yield on our personal loans from 7.26% in 2015 to 5.86% in 2016, which was partially offset by an increase in the average balance of our personal loans by 13.6% from RMB66,781 million in 2015 to RMB75,863 million in 2016. The decrease in the average yield on our personal loans primarily reflected a decrease in the market interest rate. The increase in the average balance of our personal loans was primarily attributable to increases in our residential mortgage loans and credit card balances.

Interest income from discounted bills more than doubled from RMB493 million in 2015 to RMB1,013 million in 2016, primarily due to a significant increase in the average balance of our discounted bills from RMB8,489 million in 2015 to RMB28,585 million in 2016, which was partially offset by a decrease in the average yield on our discounted bills from 5.81% in 2015 to 3.54% in 2016. The increase in the average balance of our discounted bills was primarily due to our shift of bill rediscounting business model from primarily using bill reverse repurchases to primarily using buy-out bill discounting products. The decrease in the average yield on our personal loans primarily reflected a decrease in the market interest rate.

Interest Income from Financial Investments

Interest income from financial investments consists of interest income from our available-for-sale financial assets, held-to-maturity investments and investments classified as receivables, representing 26.0%, 24.9% and 30.8% of our interest income in 2014, 2015 and 2016, respectively.

The following table sets forth, for the year indicated, the daily average balance, interest income and average yield for each category of our financial investments.

	For the year ended December 31,								
	2014			2015			2016		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
	(in millions of RMB, except percentages)								
Available-for-sale financial assets	35,561	1,549	4.36%	58,844	2,845	4.83%	89,201	3,423	3.84%
Held-to-maturity investments	8,089	351	4.34	12,273	544	4.43	14,787	615	4.16
Receivables	61,171	4,176	6.83	46,039	2,599	5.65	72,260	3,151	4.36
Total	**104,821**	**6,076**	**5.80%**	**117,156**	**5,988**	**5.11%**	**176,248**	**7,189**	**4.08%**

2015 Compared to 2014. Interest income from financial investments remained relatively stable at RMB6,076 million and RMB5,988 million in 2014 and 2015, respectively, primarily due to an decrease in the average yield on financial investments from 5.80% in 2014 to 5.11% in 2015, which were largely offset by an increase in the average balance of financial investments by 11.8% from RMB104,821 million in 2014 to RMB117,156 million in 2015. The decrease in the average yield on financial investments was primarily due to a decrease in the average yield on financial investments classified as receivables, which was partially offset by an increase in the average yield on available-for-sale financial assets. The average yield on our investments classified as receivables decreased from 6.83% in 2014 to 5.65% in 2015, primarily reflecting a decrease in the market interest rates in 2015 and our decreased investment in non-standard credit assets, which earned relatively high returns, as a result of the tightened regulatory restrictions. The average yield on available-for-sale financial assets increased from 4.36% in 2014 to 4.83% in 2015, primarily due to our increased allocation of funds to debt securities issued by PRC policy banks and, starting in the second half of 2015, our investment through certain asset management plans in debt funds, both of which had relatively high yields. The increase in the average balance of our financial investments was primarily attributable to an increase in the average balance of our available-for-sale financial assets, which was partially offset by a decrease in the average balance of our investments classified as receivables. The average balance of our available-for-sale financial assets increased by 65.5% from RMB35,561 million in 2014 to RMB58,844 million in 2015, primarily due to the overall growth of our investment in debt securities and, starting in the second half of 2015, our investment in debt funds through certain asset management plans. The average balance of our investments classified as receivables decreased by 24.7% from RMB61,171 million in 2014 to RMB46,039 million in 2015, primarily due to our decreased investment in non-standard credit assets as a result of the tightened regulatory restrictions.

2016 Compared to 2015. Interest income from financial investments increased by 20.1% from RMB5,988 million in 2015 to RMB7,189 million in 2016, primarily due to an increase in the average balance of our financial investments, which was partially offset by a decrease in the average yield on our financial investments. The average balance of our financial investments increased by 50.4% from RMB117,156 million in 2015 to RMB176,248 million in 2016, primarily attributable to increases in the average balance of our available-for-sale financial assets and investments classified as receivables. The average balance of our available-for-sale financial assets increased by 51.6% from RMB58,844 million in 2015 to RMB89,201 million in 2016, primarily due to the overall growth of our investment in debt securities and because we did not invest in any debt funds until the second half of 2015. The average balance of our investments classified as receivables increased by 57.0% from RMB46,039 million in 2015 to RMB72,260 million in 2016, primarily reflecting our increased investment in certain asset management plans with standard credit assets as underlying assets to seek higher returns. The average yield on our financial investments decreased from 5.11% in 2015 to 4.08% in 2016, reflecting decreases in the average yields on all categories of our financial investments resulting from a decrease in the market interest rate.

Interest Income from Reverse Repurchase Agreements

Interest income from reverse repurchase agreements represented 12.8%, 7.0% and 3.8% of our interest income in 2014, 2015 and 2016, respectively.

2015 Compared to 2014. Interest income from reverse repurchase agreements decreased by 43.7% from RMB2,995 million in 2014 to RMB1,687 million in 2015, primarily due to a decrease in the average yield on these financial assets from 5.40% in 2014 to 3.35% in 2015 and, to a lesser extent, a decrease in the average balance of these financial assets by 9.2% from RMB55,428 million in 2014 to RMB50,356 million in 2015. The decrease in the average yield on reverse repurchase agreements was primarily due to our discontinuance of using non-standard credit assets as the underlying assets, which were of relatively higher yields, for our reverse repurchase business as a result of regulatory restrictions, as well as a decrease in the interbank market interest rate in 2015. The decrease in the average balance of reverse repurchase agreements was primarily because we increased our allocation of funds to other financial assets of higher yields in light of the decrease in the average yield on reverse repurchase agreements.

2016 Compared to 2015. Interest income from reverse repurchase agreements decreased by 46.9% from RMB1,687 million in 2015 to RMB895 million in 2016, primarily due to a decrease in the average balance of our reverse repurchase agreements and, to a lesser extent, a decrease in the average yield on our reverse repurchase agreements. The average balance of our reverse repurchase agreements decreased by 35.7% from RMB50,356 million in 2015 to RMB32,376 million in 2016, primarily due to our shift of bill rediscounting business model from primarily using bill reverse repurchases to primarily using buy-out bill discounting products. The average yield on our reverse repurchase agreements decreased from 3.35% in 2015 to 2.76% in 2016, primarily reflecting a decrease in the interbank market interest rate resulted from increased market liquidity.

Interest Income from Deposits with Central Bank

Our interest-earning deposits with central bank consist primarily of statutory deposit reserves and surplus reserves with PBoC. Statutory deposit reserves represent the minimum level of cash deposits, calculated as a percentage of the balance of our general deposits from customers, that we are required to maintain with PBoC. Surplus reserves are deposits with PBoC, in excess of statutory deposit reserves which we maintain for settlement and clearing purposes. Interest income from deposits with central bank represented 4.1%, 4.0% and 4.0% of our interest income in 2014, 2015 and 2016, respectively.

2015 Compared to 2014. Interest income from deposits with central bank remained relatively stable at RMB964 million and RMB952 million in 2014 and 2015, respectively.

2016 Compared to 2015. Interest income from deposits with central bank decreased by 2.3% from RMB952 million in 2015 to RMB930 million in 2016 due to a 2.3% decrease in the average balance of our deposits with central bank from RMB61,778 million in 2015 to RMB60,342 million in 2016. The decrease in the average balance of our deposits with central bank was primarily due to a decrease in the statutory deposit reserve ratio applicable to us.

Interest Expense

The following table sets forth, for the years indicated, the breakdown of our interest expense.

	For the year ended December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Interest expense on:						
Deposits from customers	8,072	71.1%	9,557	76.5%	7,806	61.4%
Deposits and placements from banks and other financial institutions[(1)]	2,174	19.1	1,879	15.1	2,072	16.3
Repurchase agreements	782	6.9	340	2.7	451	3.5
Debt securities issued	317	2.8	699	5.6	2,362	18.6
Borrowings from central bank	9	0.1	16	0.1	24	0.2
Total	**11,354**	**100.0%**	**12,491**	**100.0%**	**12,715**	**100.0%**

(1) Consists of interest expense on our deposits and placements from banks and other financial institutions, as well as borrowings from other banks incurred by Zhujiang Financial Leasing Co., Ltd..

Interest expense increased by 10.0% from RMB11,354 million in 2014 to RMB12,491 million in 2015, primarily due to an increase in the average balance of our interest-bearing liabilities by 14.3% from RMB380,404 million in 2014 to RMB434,945 million in 2015, which was partially offset by a decrease in the average cost of our interest-bearing liabilities from 2.98% in 2014 to 2.87% in 2015. The increase in the average balance of our interest-bearing liabilities primarily reflected our overall business growth and our increased funding needs. The decrease in the average cost of our interest-bearing liabilities was primarily attributable to decreases in the average cost of our deposits and placements from banks and other financial institutions and our repurchase agreements.

Our interest expense remained relatively stable at RMB12,491 million and RMB12,715 million in 2015 and 2016, respectively, primarily due to an increase in the average balance of our interest-bearing liabilities, which was largely offset by a decrease in the average cost of our interest-bearing liabilities. The average balance of our interest-bearing liabilities increased by 25.2% from RMB434,945 million in 2015 to RMB544,463 million in 2016, primarily reflecting our increased funding needs as a result of our overall business growth. The average cost of our interest-bearing liabilities decreased from 2.87% in 2015 to 2.34% in 2016, primarily reflecting the consecutive cuts in the PBoC benchmark interest rates and a decrease in the market interest rate.

Interest Expense on Deposits from Customers

Deposits from customers are our primary source of funding. Interest expense on deposits from customers represented 71.1%, 76.5% and 61.4% of our total interest expense for the years ended December 31, 2014, 2015 and 2016, respectively.

The following table sets forth, for the years indicated, the daily average balance, interest expense and average cost for our corporate and personal deposits by product type.

	For the year ended December 31,								
	2014			2015			2016		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
	(in millions of RMB, except percentages)								
Corporate deposits									
Time	61,820	2,410	3.90%	75,931	3,159	4.16%	78,965	2,801	3.55%
Demand	53,500	317	0.59	54,796	307	0.56	69,923	358	0.51
Subtotal	115,320	2,727	2.36	130,727	3,466	2.65	148,888	3,159	2.12
Personal deposits									
Time	101,568	3,438	3.38	111,165	3,628	3.26	110,784	2,885	2.60
Demand	64,002	250	0.39	66,141	238	0.36	75,099	235	0.31
Subtotal	165,570	3,688	2.23	177,306	3,866	2.18	185,883	3,120	1.68
Other deposits[(1)]	38,838	1,657	4.27	57,820	2,225	3.85	53,695	1,527	2.84
Total deposits from customers	**319,728**	**8,072**	**2.52%**	**365,853**	**9,557**	**2.61%**	**388,466**	**7,806**	**2.01%**

(1) Consists primarily of pledged deposits and structured deposits raised from our issuance of principal-protected wealth management products.

2015 Compared to 2014. Interest expense on deposits from customers increased by 18.4% from RMB8,072 million in 2014 to RMB9,557 million in 2015, primarily due to an increase in the average balance of deposits from customers by 14.4% from RMB319,728 million in 2014 to RMB365,853 million in 2015. The increase in the average balance of deposits from customers primarily reflected an increase in our funding demands as a result of our overall business growth.

2016 Compared to 2015. Our interest expense on deposits from customers decreased by 18.3% from RMB9,557 million in 2015 to RMB7,806 million in 2016, primarily due to a decrease in the average cost of our deposits from customers, which was partially offset by an increase in the average balance of deposits from customers. The average cost of our deposits from customers decreased from 2.61% in 2015 to 2.01% in 2016, primarily reflecting the consecutive cuts in the PBoC benchmark interest rates. The average balance of our deposits from customers increased by 6.2% from RMB365,853 million in 2015 to RMB388,466 million in 2016, primarily reflecting our overall business growth.

Interest Expense on Deposits and Placements from Banks and Other Financial Institutions

Interest expense on deposits and placements from banks and other financial institutions represented 19.1% , 15.1% and 16.3% of our interest expense in 2014, 2015 and 2016, respectively.

2015 Compared to 2014. Interest expense on deposits and placements from banks and other financial institutions decreased by 13.6% from RMB2,174 million in 2014 to RMB1,879 million in 2015, primarily due to a decrease in the average cost of these financial liabilities from 5.76% in 2014 to 4.57% in 2015, which was partially offset by an increase in the average balance of these financial liabilities by 9.0% from RMB37,761 million in 2014 to RMB41,161 million in 2015. The decrease in the average cost of these financial liabilities primarily reflected a decrease in the interbank market interest rate. The increase in the average balance of these financial liabilities primarily reflected our increased funding needs.

2016 Compared to 2015. Our interest expense on deposits and placements from banks and other financial institutions increased by 10.3% from RMB1,879 million in 2015 to RMB2,072 million in 2016, primarily due to an increase in the average balance of these financial liabilities, which was partially offset by a decrease in the average cost of these financial liabilities. The average balance of our deposits and placements from banks and other financial institutions increased by 62.2% from RMB41,161 million in 2015 to RMB66,777 million in 2016, primarily reflecting our overall business growth and an increase in our funding needs. The average cost of our deposits and placements from banks and other financial institutions decreased from 4.57% in 2015 to 3.10% in 2016, primarily reflecting a decrease in the interbank market interest rate resulted from increased market liquidity.

Interest Expense on Repurchase Agreements

Interest expenses on repurchase agreements represented 6.9%, 2.7% and 3.5% of our interest expenses for the years ended December 31, 2014, 2015 and 2016, respectively.

2015 Compared to 2014. Interest expenses on repurchase agreements decreased by 56.5% from RMB782 million in 2014 to RMB340 million in 2015, primarily due to a decrease in the average cost of these financial liabilities from 4.59% in 2014 to 2.42% in 2015 and, to a lesser extent, a decrease in the average balance of these financial liabilities by 17.7% from RMB17,042 million in 2014 to RMB14,027 million in 2015. The decrease in the average cost of repurchase agreements primarily reflected a decrease in the interbank market interest rate. The decrease in the average balance of repurchase agreements primarily reflected an increase in our other sources of funding, such as deposits from customers.

2016 Compared to 2015. Our interest expense on repurchase agreements increased by 32.6% from RMB340 million in 2015 to RMB451 million in 2016, primarily due to an increase in the average balance of our repurchase agreements, which was partially offset by a decrease in the average cost of our repurchase agreements. The average balance of our repurchase agreements increased by 41.4% from RMB14,027 million in 2015 to RMB19,837 million in 2016, primarily reflecting our increased funding needs. The average cost of our repurchase agreements decreased from 2.42% in 2015 to 2.27% in 2016, primarily reflecting a decrease in the interbank market interest rate.

Interest Expense on Debt Securities Issued

Interest expenses on debt securities issued represented 2.8%, 5.6% and 18.6% of our interest expenses for the years ended December 31, 2014, 2015 and 2016, respectively.

2015 Compared to 2014. Interest expenses on debt securities issued more than doubled from RMB317 million in 2014 to RMB699 million in 2015, primarily due to a significant increase in the average balance of debt securities issued from RMB5,297 million in 2014 to RMB13,160 million in 2015, which was partially offset by a decrease in the average cost of debt securities issued from 5.98% in 2014 to 5.31% in 2015. The increase in the average balance of debt securities issued was primarily due to our issuance of tier-two capital bonds in September 2014 and our issuance of certain certificates of deposit in 2015. The decrease in the average cost of debt securities issued primarily reflected a decrease in the market interest rate.

2016 Compared to 2015. Our interest expense on debt securities issued more than tripled from RMB699 million in 2015 to RMB2,362 million in 2016, primarily due to an increase in the average balance of our debt securities issued, which was partially offset by a decrease in the average cost of our debt securities issued. The average balance of our debt securities issued increased significantly from RMB13,160 million in 2015 to RMB68,567 million in 2016, primarily reflecting our increased source of funds from issuance of certificates of deposit, which is a relatively stable source of funds. The average cost of our debt securities issued decreased from 5.31% in 2015 to 3.44% in 2016, primarily due to a decrease in the market interest rate and our increased issuance of certificates of deposit with relatively low costs.

Net Interest Spread and Net Interest Margin

2015 Compared to 2014. Our net interest spread decreased from 2.67% in 2014 to 2.31% in 2015, because the average yield on our interest-earning assets decreased by 47 basis points, at a higher rate than the decrease in the average cost of our interest-bearing liabilities by 11 basis points. Our net interest margin decreased from 2.91% in 2014 to 2.50% in 2015, because our net interest income decreased by 3.4%, while the average balance of our interest-earning assets increased by 12.5%. The decreases in our net interest spread and net interest margin were primarily due to decreases in the average yields on our loans to customers, reverse repurchase agreements and financial investments, as well as an increase in the average cost of deposits from customers.

2016 Compared to 2015. Our net interest spread decreased from 2.31% in 2015 to 1.99% in 2016, primarily due to a decrease in the average yield on interest-earning assets by 85 basis points, which was higher than the decrease in the average cost of our interest-bearing liabilities of 53 basis points. Our net interest margin decreased from 2.50% in 2015 to 1.98% in 2016, primarily because the average balance of our interest-earning assets increased by 16.2%, while our net interest income decreased by 8.0%. The decreases in our net interest spread and net interest margin primarily reflected a decrease in the average yield on substantially all our interest-earning assets due to a decrease in the market interest rate and the consecutive cuts in the PBoC benchmark interest rates.

Net Fee and Commission Income

Net fee and commission income represented 12.6%, 17.8% and 19.5% of our total operating income for the years ended December 31, 2014, 2015 and 2016, respectively. The following table sets forth, for the years indicated, the principal components of our net fee and commission income.

	For the year ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Fee and commission income			
Advisory and consulting fees	480	1,019	1,312
Bank card fees	394	478	546
Agency and custodian fees	256	360	470
Wealth management fees	420	817	320
Financial leasing fees	—	57	191
Others[(1)]	339	317	353
Subtotal	1,889	3,048	3,192
Fee and commission expenses			
Settlement and electronic channel business fees	(44)	(45)	(50)
Bank card fee expenses	(33)	(41)	(44)
Others[(2)]	(70)	(72)	(122)
Subtotal	(147)	(158)	(216)
Net fee and commission income	**1,742**	**2,890**	**2,976**

(1) Consists primarily of settlement and electronic channel business fees, foreign exchange business fees and debt securities underwriting commission.

(2) Consists primarily of information transmission fees for negotiable bills, bank card manufacturing fees and data usage fees paid to China UnionPay.

Our net fee and commission income increased by 65.9% from RMB1,742 million in 2014 to RMB2,890 million in 2015, primarily reflecting our continued efforts to grow our fee- and commission-based businesses. Our net fee and commission income remained relatively stable at RMB2,890 million and RMB2,976 million in 2015 and 2016, respectively.

Fee and Commission Income

Our fee and commission income increased by 61.4% from RMB1,889 million in 2014 to RMB3,048 million in 2015, primarily attributable to increases in our advisory and consulting fee and wealth management fee income.

Our fee and commission income increased by 4.7% from RMB3,048 million in 2015 to RMB3,192 million in 2016, primarily attributable to increases in our advisory and consulting fees, financial leasing fees and agency and custodian fees, which were partially offset by a decrease in our wealth management fees.

Advisory and Consulting Fees

Advisory and consulting fees consist primarily of fees earned on consulting services we provided to our corporate and financial institution customers in connection with various types of financial transactions, representing 25.4%, 33.4% and 41.1% of our total fee and commission income in 2014, 2015 and 2016, respectively. Advisory and consulting fees more than doubled from RMB480 million in 2014 to RMB1,019 million in 2015, which further increased by 28.8% to RMB1,312 million in 2016 primarily reflecting our continued efforts to grow our investment banking business.

Bank Card Fees

Bank card fees consist primarily of credit card installment fees and transaction fees from acquiring banks on the use of our bank cards, representing 20.9%, 15.7% and 17.1% of our total fee and commission income in 2014, 2015 and 2016, respectively. Bank card fees increased by 21.3% from RMB394 million in 2014 to RMB478 million in 2015, which further increased by 14.2% to RMB546 million in 2016, primarily due to an increase in the transaction volume using our credit cards resulting from an increase in the number of credit cards we issued.

Agency and Custodian Fees

Agency and custodian fees consist primarily of agency fees earned on our distribution of insurance and fund products and custodian fees earned on the custody services we provided in connection with various types of financial products, representing 13.6%, 11.8% and 14.7% of our total fee and commission income in 2014, 2015 and 2016, respectively. Agency and custodian fees increased by 40.6% from RMB256 million in 2014, to RMB360 million in 2015, which further increased by 30.6% to RMB470 million in 2016, primarily due to an increase in the volume of financial products we distributed.

Wealth Management Fees

Wealth management fees represent fees we earned from providing wealth management services to our customers, representing 22.2%, 26.8% and 10.0% of our total fee and commission income in 2014, 2015 and 2016, respectively. Wealth management fees almost doubled from RMB420 million in 2014 to RMB817 million in 2015, primarily due to an increase in the volume of wealth management products we issued. Our wealth management fee decreased by 60.8% from RMB817 million in 2015 to RMB320 million in 2016, primarily due to a decrease in the returns on the underlying assets for the wealth management products we issued resulting from changes in market conditions.

Financial Leasing Fees

Financial leasing fees consist of fees and commissions earned from our financial leasing business, representing 1.9% and 6.0% of our total fee and commission income in 2015 and 2016, respectively. Our financial leasing fee more than tripled from RMB57 million in 2015 to RMB191 million in 2016, primarily reflecting the rapid growth in our newly started financial leasing business.

Fee and Commission Expenses

Fee and commission expenses consist primarily of fees paid to third parties in connection with our fee- and commission-based services that can be directly allocated to the provision of such services. Fee and commission expenses increased by 7.5% from RMB147 million in 2014 to RMB158 million in 2015, which further increased by 36.7% to RMB216 million in 2016, primarily reflecting the growth in our fee- and commission-based business.

Other Net Income

The following table sets forth, for the years indicated, the principal components of our other net income.

	For the years ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Net trading income	95	551	986
Net gains on financial investments	2	958	451
Other income, gains or losses[(1)]	14	218	156
Total other net income	**111**	**1,727**	**1,593**

(1) Consists primarily of government grants and subsidy, net gain on disposal of repossessed assets and net gain/(loss) from foreign exchange.

Net Trading Income

Net trading income consists of realized and unrealized gains on our financial assets held for trading purposes. Our net trading income increased significantly from RMB95 million in 2014 to RMB551 million in 2015, which further increased by 78.9% to RMB986 million in 2016, primarily due to an increase in the size of our trading portfolio.

Net Gains on Financial Investments

Net gains on financial investments consists primarily of net realized gains or losses on our disposal of our available-for-sale financial assets. Our net gains on financial investments increased significantly from RMB2 million in 2014 to RMB958 million in 2015, resulting primarily from our disposal of available-for-sale bonds under favorable market conditions in 2015. Our net gains on financial investments decreased by 52.9% from RMB958 million in 2015 to RMB451 million in 2016, primarily due to a decrease in our disposal of available-for-sale financial assets in 2016.

Operating Expenses

The following table sets forth, for the years indicated, the principal components of our total operating expenses.

	For the years ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Staff costs	2,673	2,747	2,944
General and administration expenses	937	1,096	1,249
Depreciation and amortization	471	506	513
Business tax and surcharges	992	1,173	463
Rental expense	207	248	281
Auditor's remuneration	3	3	7
Total operating expenses	**5,283**	**5,773**	**5,457**
Cost-to-income ratio[(1)]	**30.95%**	**28.37%**	**32.77%**

(1) Calculated by dividing (i) total operating expenses, excluding business tax and surcharges, by (ii) total operating income.

Our operating expenses increased by 9.3% from RMB5,283 million in 2014 to RMB5,773 million in 2015, primarily due to increases in business tax and surcharges and general and administration expenses. Our cost-to-income ratio decreased from 30.95% in 2014 to 28.37% in 2015, primarily reflecting our effective cost control. Our operating expenses decreased by 5.5% from RMB5,773 million in 2015 to RMB5,457 million in 2016, primarily attributable to a decrease in our business tax and surcharges because we stopped paying business tax in May 2016 and started to pay value-added tax instead as a result of the PRC taxation reform. Our cost-to-income ratio increased from 28.37% in 2015 to 32.77% in 2016, primarily due to an increase in our operating expenses, excluding business tax and surcharges, resulting from increases in staff costs and general and administration expenses.

Staff Costs

Staff costs are the largest component of our operating expenses, representing 50.6%, 47.6% and 53.9% of our total operating expenses for the years ended December 31, 2014, 2015 and 2016, respectively.

The following table sets forth, for the years indicated, the components of our staff costs.

	For the years ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Salaries, bonuses and allowances	1,763	1,800	1,858
Defined contribution plans	216	248	317
Housing provident fund	217	249	226
Employee benefits	203	199	232
Early retirement and supplemental retirement benefits	103	78	131
Social insurance	87	104	114
Labor union expenditure and education costs	76	61	61
Others	8	8	5
Total staff costs	**2,673**	**2,747**	**2,944**

Staff costs increased by 2.8% from RMB2,673 million in 2014 to RMB2,747 million in 2015, primarily due to increases in salaries, bonuses and allowances, housing provident fund and defined contribution plans. Staff costs increased by 7.2% from RMB2,747 million in 2015 to RMB2,944 million in 2016, primarily due to increases in defined contribution plans, salaries, bonuses and allowances, as well as early retirement and supplemental retirement benefits.

Salaries, bonuses and allowances increased by 2.1% from RMB1,763 million in 2014 to RMB1,800 million in 2015, which further increased by 3.2% to RMB1,858 million in 2016 primarily due to increases in the number of our employees and in our average employee compensation.

Defined contribution plans consists primarily of annuity and pension plans. Defined contribution plan expenses increased by 14.8% from RMB216 million in 2014 to RMB248 million in 2015, which further increased by 27.8% to RMB317 million in 2016, primarily due to an increase in total salaries, as these expenses were set at a certain percentage of total salaries, and an increase in our annuity contribution rate in the second half of 2015.

Housing provident fund expense represents our statutory contribution to the housing provident fund that we made for our employees. Housing provident fund expenses increased by 14.7% from RMB217 million in 2014 to RMB249 million in 2015, primarily due to an increase in our total salaries, as housing provident fund contribution is set as a certain portion of total salaries. Housing provident fund expense decreased by 9.2% from RMB249 million in 2015 to RMB226 million in 2016, primarily due to a decrease in the statutory contribution ratio in the second half of 2016.

Social insurance expense represents our statutory contribution to our employees' social insurance. Social insurance expense increased by 19.5% from RMB87 million in 2014 to RMB104 million in 2015, which further increased by 9.6% to RMB114 million in 2016, primarily due to an increase in our total salaries, as social insurance contribution is set at a certain portion of total salaries.

Employee benefits consists of supplemental health insurance and transportation and telecommunication allowances. Employee benefits remained relatively stable at RMB203 million and RMB199 million in 2014 and 2015, respectively. Employee benefits increased by 16.6% from RMB199 million in 2015 to RMB232 million in 2016, primarily due to an increase in supplemental health insurance expenses resulting from an increase in the number of our employees.

General and Administration Expenses

General and administration expenses increased by 17.0% from RMB937 million in 2014 RMB1,096 million in 2015, which further increased by 14.0% to RMB1,249 million in 2016, primarily due to the overall growth in our operations.

Business Taxes and Surcharges

Historically, business tax was levied at 5% primarily on our interest income from loans to customers and our fee and commission income. In addition, certain surcharges are levied at aggregate rates, depending on the locality, of up to 12% of the amount of our business tax paid. Business tax and surcharges increased by 18.2% from RMB992 million in 2014 to RMB1,173 million in 2015, primarily due to an increase in our taxable income. Business tax and surcharges decreased by 60.5% from RMB1,173 million in 2015 to RMB463 million in 2016, primarily because we stopped paying business tax in May 2016 and paid value-added tax instead as a result of the PRC taxation reform. See Appendix VI—"Taxation and Foreign Exchange—2. Principal Taxation of Our Bank in the PRC."

Depreciation and Amortization

Depreciation and amortization expense increased by 7.4% from RMB471 million in 2014 to RMB506 million in 2015, primarily due to an increase in our fixed assets subject to depreciation and intangible assets subject to amortization. Depreciation and amortization remained relatively stable at RMB513 million in 2016 compared to RMB506 million in 2015.

Rental Expense

Rental expense consists primarily of rental expenses for the premises of our branches, sub-branches and Zhujiang County Banks. Rental expense increased by 19.8% from RMB207 million in 2014 to RMB248 million in 2015, which further increased by 13.3% to RMB281 million in 2016, primarily due to an increase in our branches, sub-branches and county banks and an increase in average rent.

Provisions for Impairment Losses

The following table sets forth, for the years indicated, the principal components of our impairment losses on assets.

	For the years ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Provisions for impairment losses on:			
Loans to customers	1,522	3,644	3,694
Other assets(1)	—	367	(434)
Total	**1,522**	**4,011**	**3,260**

(1) Consists primarily of provisions for impairment losses on our investment classified as receivables.

Provisions for impairment losses more than doubled from RMB1,522 million in 2014 to RMB4,011 million in 2015, primarily due to a significant increase in our provisions for impairment losses on loans to customers and, to a lesser extent, our provisions for impairment losses on investment classified as receivables. Provisions for impairment losses decreased by 18.7% from RMB4,011 million in 2015 to RMB3,260 million in 2016, primarily due to a write-back of impairment losses of RMB513 million on our placement with a financial institution, which we fully recovered during 2016, and a decrease in our provision for impairment losses on investments classified as receivables as no further impairment was observed in 2016.

Provisions for impairment losses on our loans to customers more than doubled from RMB1,522 million in 2014 to RMB3,644 million in 2015, primarily due to an increase in our loan portfolio and an increase in our non-performing loans. Provisions for impairment losses on our loans to customers remained relatively stable at RMB3,694 million in 2016 compared to RMB3,644 million in 2015. For details on changes in our allowance for loan losses, see "Assets and Liabilities—Assets—Allowance for Impairment Losses on Loans to Customers."

We did not make any provision for impairment losses on financial assets other than loans to customers in 2014. We made provisions of RMB367 million for impairment losses on these other financial assets in 2015, primarily attributable to provisions of RMB355 million for impairment losses on our investments classified as receivables which became overdue in 2015. We recorded a net reversal of impairment losses on other assets of RMB434 million in 2016, primarily attributable to a RMB513 million reversal of impairment losses on our placement with a financial institution, which we fully recovered during 2016.

Income Tax

The income tax rates applicable to our Bank and our subsidiaries are 25% and 15%. The following table sets forth, for the years indicated, the reconciliation between the income tax expenses calculated at the statutory income tax rate applicable to our profit before tax and our actual income tax expenses.

	For the years ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Profit before tax	**7,054**	**6,429**	**6,523**
Income tax calculated at statutory tax rate at 25%	1,763	1,607	1,631
Add/(less) the tax effect of the following items:			
Effect of different tax rate	1	10	(2)
Items not deductible for tax purpose(1)	33	40	131
Income not subject to tax(2)	(225)	(224)	(334)
Adjustments from prior years	1	(4)	(3)
Effect on operating deferred tax of increased tax rate	—	—	(6)
Income tax expense	**1,573**	**1,429**	**1,417**

(1) Consists primarily of items not deductible for tax purposes such as benefits for our retired staff.
(2) Consists primarily of interest income from debt securities issued by PRC governments.

Our income tax expenses decreased by 9.2% from RMB1,573 million in 2014 to RMB1,429 million in 2015, primarily due to a decrease in our profit before tax. Our income tax expenses remained relatively stable at RMB1,417 million in 2016 as compared to 2015. Our effective income tax rate was 22.3%, 22.2% and 21.7% in 2014, 2015 and 2016, respectively.

The following table sets forth, for the years indicated, the components of our income tax expenses.

	For the years ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Current income tax	1,950	2,239	2,191
Deferred income tax	(377)	(810)	(774)
Total income tax expenses	**1,573**	**1,429**	**1,417**

Net Profit

Primarily as a result of all the foregoing factors, our net profit decreased by 8.8% from RMB5,481 million in 2014 to RMB5,000 million in 2015, which then increased by 2.1% to RMB5,106 million in 2016.

SUMMARY OF SEGMENT OPERATING RESULTS

Summary Business Segment Information

We have three principal business activities: corporate banking, retail banking and financial market business. See "Business—Our Principal Businesses." The following table sets forth, for the years indicated, our operating results for each of our principal business segments.

	For the year ended December 31,														
	2014					2015					2016				
	Corporate banking	Retail banking	Financial market	Others(1)	Total	Corporate banking	Retail banking	Financial market	Others(1)	Total	Corporate banking	Retail banking	Financial market	Others(1)	Total
	(in millions of RMB)														
External interest income(2)	8,378	4,167	10,815	—	**23,360**	8,897	4,851	10,339	—	**24,087**	8,040	4,450	10,896	—	**23,386**
External interest expense(3)	(4,026)	(4,046)	(3,282)	—	**(11,354)**	(5,126)	(4,430)	(2,935)	—	**(12,491)**	(4,254)	(3,552)	(4,909)	—	**(12,715)**
Inter-segment interest income/ (expense)(4)	221	5,187	(5,408)	—	**—**	743	5,013	(5,756)	—	**—**	924	4,178	(5,102)	—	**—**
Net interest income	4,573	5,308	2,125	—	**12,006**	4,514	5,434	1,648	—	**11,596**	4,710	5,076	885	—	**10,671**
Net fee and commission income	717	596	429	—	**1,742**	1,352	714	824	—	**2,890**	1,825	849	302	—	**2,976**
Net trading income	—	—	95	—	**95**	—	—	551	—	**551**	—	—	986	—	**986**
Net gains on financial investments	—	—	1	1	**2**	—	—	956	2	**958**	—	—	449	2	**451**
Other income, gains or losses	21	36	—	(43)	**14**	111	13	—	94	**218**	83	47	(1)	27	**156**
Operating income	5,311	5,940	2,650	(42)	**13,859**	5,977	6,161	3,979	96	**16,213**	6,618	5,972	2,621	29	**15,240**
Operating expenses	(1,760)	(2,714)	(731)	(78)	**(5,283)**	(1,868)	(2,875)	(828)	(202)	**(5,773)**	(1,673)	(2,905)	(721)	(158)	**(5,457)**
Provisions for impairment losses	(1,086)	(436)	—	—	**(1,522)**	(2,583)	(1,062)	(365)	(1)	**(4,011)**	(2,070)	(1,594)	403	1	**(3,260)**
Profit before tax	**2,465**	**2,790**	**1,919**	**(120)**	**7,054**	**1,526**	**2,224**	**2,786**	**(107)**	**6,429**	**2,875**	**1,473**	**2,303**	**(128)**	**6,523**

(1) Consists primarily of income and expenses that are not directly attributable to any specific segment.
(2) Consists of interest income from outside clients or activities.
(3) Consists of interest expense on outside clients or activities.
(4) Consists of net interest income/(expense) attributable to transactions with other segments.

The following table sets forth, for the years indicated, the operating income of each of our principal business segments.

	For the year ended December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Corporate banking	5,311	38.3%	5,977	36.9%	6,618	43.4%
Retail banking	5,940	42.9	6,161	38.0	5,972	39.2
Financial market	2,650	19.1	3,979	24.5	2,621	17.2
Others[(1)]	(42)	(0.3)	96	0.6	29	0.2
Total	**13,859**	**100.0%**	**16,213**	**100.0%**	**15,240**	**100.0%**

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

Operating income of our corporate banking business increased by 12.5% from RMB5,311 million in 2014 to RMB5,977 million in 2015, which increased by 10.7% to RMB6,618 million in 2016, primarily attributable to an increase in fee and commission income derived from our corporate banking business, reflecting a growth in our investment banking business.

Operating income of our retail banking business increased by 3.7% from RMB5,940 million in 2014 to RMB6,161 million in 2015, primarily attributable to increases in net interest income and net fee and commission income from our retail banking business, reflecting our continued efforts to grow our retail banking business and the expansion of our retail customer base. Operating income of our retail banking business decreased by 3.1% from RMB6,161 million in 2015 to RMB5,972 million in 2016, primarily attributable to a decrease in net interest income from our retail banking business due to a decrease in interest income from our personal loans.

Operating income of our financial market business increased by 50.2% from RMB2,650 million in 2014 to RMB3,979 million in 2015, primarily due to the growth in our investment and trading portfolio, reflecting our continued efforts to grow our financial market business to diversify our sources of income. Operating income from our financial market business decreased by 34.1% from RMB3,979 million in 2015 to RMB2,621 million in 2016, primarily reflecting (i) a decrease in interest income from our financial assets as a result of a decrease in market interest rates, (ii) a decrease in our wealth management fees as a result of the unfavorable market conditions in late 2016, and (iii) a decrease in our net gains from financial investments resulting from a decrease in our disposal of financial investments in 2016.

CASH FLOWS

The following table sets forth our cash flows for the years indicated. See Appendix I—"Accountants' Report—Consolidated Statements of Cash Flows."

	For the year ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Net cash generated from/(used in) operating activities	42,411	64,324	(26,616)
Net cash generated from/(used in) investing activities	10,702	(83,716)	(34,440)
Net cash generated from financing activities	7,125	6,245	66,785
Net increase/(decrease) in cash and cash equivalents	**60,238**	**(13,147)**	**5,729**
Cash and cash equivalents at the beginning of the year	53,219	113,543	100,430
Effect of exchange rate changes on cash and cash equivalents	86	34	38
Cash and cash equivalents at the end of the year	**113,543**	**100,430**	**106,197**

Cash Flows from Operating Activities

Cash inflows from our operating activities are primarily attributable to the net increases in deposits from customers, banks and other financial institutions and interest income received in cash. The net increase in the balance of our deposits from customers in 2014, 2015 and 2016 was RMB41,071 million, RMB36,458 million and RMB32,562 million, respectively. We received interest income in cash of RMB17,109 million, RMB17,679 million and RMB16,175 million in 2014, 2015 and 2016, respectively. Cash inflow due to net increase in deposits from banks and other financial institutions amounted to RMB15,245 million and RMB62,046 million in 2014 and 2015, respectively. Cash outflow from net decrease in deposits from banks and other financial institutions amounted to RMB70,482 million in 2016.

Cash outflows from our operating activities are primarily attributable to the net increase in loans to customers, the net increase in deposits with central bank and interest expense paid in cash. The net increase in loans to customers in 2014, 2015 and 2016 was RMB25,381 million, RMB39,420 million and RMB24,653 million, respectively. For a discussion of increases in our loans to customers from December 31, 2014 to December 31, 2016, see "Assets and Liabilities—Assets—Loans to Customers." The net increase in balances with central bank amounted to RMB8,404 million and RMB6,140 million in 2014 and 2016, respectively. Net decrease in deposits with central bank amounted to RMB9,214 million in 2015. We paid interest expense in cash of RMB9,603 million, RMB9,835 million and RMB10,163 million in 2014, 2015 and 2016, respectively.

Primarily as a result of the foregoing, our net cash generated from our operating activities increased from RMB42,411 million in 2014 to RMB64,324 million in 2015, while our net cash used in our operating activities amounted to RMB26,616 million in 2016.

Cash Flows from Investing Activities

Cash inflows from our investing activities are primarily attributable to proceeds from disposal or redemption of our investments and returns on investments received. For a description of our financial investments, see "Assets and Liabilities—Assets—Financial Investments." The proceeds from disposal or redemption of our investments in 2014, 2015 and 2016 amounted to RMB251,680 million, RMB231,033 million and RMB480,160 million, respectively.

Our cash outflows from investing activities are primarily attributable to payments on acquisition of financial investment. Our purchases of investment in 2014, 2015 and 2016 amounted to RMB246,028 million, RMB319,808 million and RMB521,962 million, respectively.

Cash Flows from Financing Activities

Our cash inflows from financing activities are primarily attributable to proceeds from issuance of debt securities. Our funds raised from the issuance of debt securities amounted to RMB9,997 million, RMB18,765 million and RMB168,762 million in 2014, 2015 and 2016, respectively.

Our cash outflows from financing activities are primarily attributable to repayment of debt securities issued, dividend payments and interest expenses paid on debt securities issued. We repaid our debt securities issued in cash of RMB988 million, RMB9,681 million and RMB98,901 million in 2014, 2015 and 2016, respectively. In 2014, 2015 and 2016, we paid cash dividends of RMB2,038 million, RMB2,283 million and RMB1,631 million, respectively, on our ordinary shares. Our interest payments on our bonds issued amounted to RMB221 million, RMB629 million and RMB1,596 million in 2014, 2015 and 2016, respectively.

LIQUIDITY

We fund our loan and investment portfolios principally through our customer deposits. Customer deposits with remaining maturities of less than one year represented 81.4%, 82.0% and 85.1% of total deposits from customers as of December 31, 2014, 2015 and 2016, respectively. Although a majority of deposits from customers have been short-term deposits, customer deposits have been, and we believe will continue to be, a stable source of our funding. For additional information about our sources of funds, see "Assets and Liabilities—Liabilities and Sources of Funds" and "Supervision and Regulation—Other Operational and Risk Management Ratios."

We manage liquidity by monitoring the maturities of our assets and liabilities in an efforts to ensure that we have sufficient funds to meet obligations as they become due. We do not, nor are we required to, maintain cash resources to meet all the demands for cash payments, and based on our experience, a portion of the maturing deposits will be rolled over and continue to remain with us. We have set limits on the minimum proportion of maturing funds available to meet the demands for cash payment. We have also set the minimum level of interbank and other borrowing facilities in place to meet any unexpected liquidity requirements. See "Risk Management—Liquidity Risk Management."

The following table sets forth, as of December 31, 2016, the remaining maturities of our financial assets and financial liabilities.

	As of December 31, 2016								
	Overdue	Repayable on demand	Due up to 1 month	Due over 1 months up to 3 months	Due over 3 months up to 12 months	Due over 1 year up to 5 years	Due more than 5 years	Undated	Total
	(in millions of RMB)								
Financial assets									
Cash and balances with central bank	—	25,103	—	—	—	—	—	57,920	83,023
Amounts due from banks and other financial institutions(1)	—	685	77,800	13,428	10,233	—	—	109	102,255
Financial assets at fair value through profit or loss	203	28,818	1,569	863	1,284	2,933	310	—	35,980
Loans to customers, net	7,268	—	15,124	17,008	79,659	78,835	40,041	—	237,935
Financial investments, net	1,340	1	3,454	12,996	67,118	87,757	17,356	51	190,073
Others(2)	153	245	1,478	952	2,414	116	10	144	5,512
Total financial assets	8,964	54,852	99,425	45,247	160,708	169,641	57,717	58,224	654,778
Financial liabilities									
Borrowings from central bank	—	—	—	130	407	—	—	—	537
Amounts due to banks and other financial institutions(3)	—	1,774	55,947	3,410	21,446	1,400	—	—	83,977
Deposits from customers	—	192,183	31,315	42,193	94,828	62,183	1,040	—	423,742
Debt securities issued	—	—	3,194	15,024	69,980	4,097	—	—	92,295
Others(4)	—	590	1,267	2,185	9,813	5,179	121	—	19,155
Total financial liabilities	—	194,547	91,723	62,942	196,474	72,859	1,161	—	619,706
Liquidity gap	8,964	(139,695)	7,702	(17,695)	(35,766)	96,782	56,556	58,224	35,072
Cumulative liquidity gap	8,964	(130,731)	(123,029)	(140,724)	(176,490)	(79,708)	(23,152)	35,072	

(1) Consists deposits and placements with banks and other financial institutions and reverse repurchase agreements.
(2) Consists primarily of interest receivables and other receivables.
(3) Consists deposits and placements from banks and other financial institutions and repurchase agreements.
(4) Consists primarily of borrowings from other banks, interest payables and accrued staff costs.

CAPITAL RESOURCES

Shareholders' Equity

Our total shareholders' equity increased from RMB32,587 million as of December 31, 2014 to RMB35,696 million as of December 31, 2015, which further increased to RMB37,840 million as of December 31, 2016. The following table sets forth, for the years indicated, the components of the changes in our total equity attributable to shareholders.

	Shareholders' equity
	(in millions of RMB)
As of January 1, 2014	**27,766**
Profit for the year	5,481
Other comprehensive income	873
Capital contributed by non-controlling shareholders	326
Shareholders' donation	179
Dividend declared and paid	(2,038)
As of December 31, 2014	**32,587**
Profit for the year	5,000
Other comprehensive income	298
Capital contributed by non-controlling shareholders	15
Shareholders' donation	101
Dividend declared and paid	(2,305)
As of December 31, 2015	**35,696**
Profit for the period	5,106
Other comprehensive income	(1,471)
Shareholders' donation	145
Capital contributed by non-controlling shareholders	30
Dividend declared and paid	(1,666)
As of December 31, 2016	**37,840**

We recorded net profit of RMB5,481 million, RMB5,000 million and RMB5,106 million in 2014, 2015 and 2016, respectively. For a detailed discussion of our results of operations, see "—Results of Operations for the Years Ended December 31, 2014, 2015 and 2016."

Our other comprehensive income consisted primarily of net unrealized gains and losses on available-for-sale financial assets resulting from changes in their fair value and, to a lesser extent, remeasurement gains and losses on defined benefit plans. We recorded other comprehensive income of RMB873 million in 2014, primarily attributable to a net unrealized gain on available-for-sale financial assets of RMB907 million, resulting from an increase in the fair value of these financial assets due to a decrease in the market interest rates in 2014. Our other comprehensive income decreased to RMB298 million in 2015, primarily attributable to a decrease in net unrealized gain on available-for-sale financial assets because we disposed of certain available-for-sale financial assets in 2015, realizing the net investment gains on these assets. We recorded other comprehensive losses of RMB1,471 million in 2016, primarily attributable to an unrealized net loss on available-for-sale financial assets of RMB1,493 million resulting from a decrease in the fair value of our debt securities under unfavorable market conditions on the PRC bond market in late 2016.

Capital contributed by non-controlling shareholders represents the capital contribution to our Zhujiang County Banks by their other shareholders, amounting to RMB326 million, RMB15 million and RMB30 million in 2014 and 2015 and 2016, respectively.

Shareholders' donation represents the amounts recovered on certain non-performing assets, which were previously transferred to certain of our Shareholders and managed by us, amounting to RMB179 million, RMB101 million and RMB145 million in 2014, 2015 and 2016, respectively. See Note 34(c) to our historical financial information included in the Accountants' Report set forth in Appendix I to this prospectus.

Debt

Bonds Issued

On June 28, 2012, we issued subordinated bonds in an aggregate principal amount of RMB3.5 billion with a fixed coupon rate of 5.99% per annum and the maturity date on June 29, 2022. We have the option to early redeem such subordinated bonds on June 29, 2017. We obtained the relevant regulatory approval in May 2017 to exercise the redemption right on June 29, 2017.

On September 11, 2014, we issued tier-two capital bonds in an aggregate principal amount of RMB4.1 billion with a fixed coupon rate of 6.26% per annum and the maturity date on September 15, 2024. We have the option to early redeem such tier-two capital bonds in part or in full on September 15, 2019.

Certificates of Interbank Deposit

We issued a number of certificates of interbank deposit in an aggregate principal amount of RMB6,000 million in 2014 with interest rates ranging from 4.28% per annum to 6.00% per annum and contract maturity ranging from one month to one year.

We issued a number of certificates of interbank deposit in an aggregate principal amount of RMB19,040 million in 2015 with interest rates ranging from 2.80% per annum to 5.27% per annum and contract maturity ranging from one month to one year.

We issued a number of certificates of interbank deposit in an aggregate principal amount of RMB171,960 million in 2016 with interest rates ranging from 2.72% per annum to 5.00% per annum and contract maturity ranging from one month to one year. As of December 31, 2016, the outstanding balance of these certificates of interbank deposit was RMB84,700 million.

Capital Adequacy

We are subject to capital adequacy requirements as promulgated by CBRC, which set forth capital adequacy requirements for different tiers of capital. CBRC provides for a transitional period from 2014 to 2018 for commercial banks to gradually meet the requirements. Pursuant to the CBRC requirements, the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio for non-systematically important banks (including us) as of December 31, 2016 shall not be lower than 6.7%, 7.7% and 9.7%, respectively.

The following table sets forth, as of the dates indicated, information relating to our capital adequacy, calculated under PRC GAAP.

	As of December 31,		
	2014	2015	2016
	(in millions of RMB, except percentages)		
Core capital			
Share capital	8,153	8,153	8,153
Qualifying portion of capital reserve	4,595	4,697	4,840
Surplus reserves	2,182	2,690	3,200
General reserve	5,391	6,666	8,020
Qualifying portion of retained earnings	9,846	10,781	12,311
Qualifying portion of non-controlling interests	1,388	1,365	1,103
Others(1)	493	791	(680)
Core Tier-one capital deductible items			
Other intangible assets (excluding land use rights)	(81)	(112)	(116)
Net total core tier-one capital	**31,967**	**35,031**	**36,833**
Other tier-one capital			
Qualifying portion of non-controlling interests	27	51	93
Net total tier-one capital	**31,994**	**35,083**	**36,926**
Tier-two capital			
Qualifying portion of tier-two capital instruments and related premiums	6,895	6,545	6,195
Surplus allowance for impairment losses on loans	2,402	1,693	1,884
Qualifying portion of non-controlling interests	101	167	272
Net capital base(2)	**41,392**	**43,488**	**45,277**
Total risk-weighted assets	**286,447**	**340,806**	**372,211**
Core tier-one capital adequacy ratio	**11.16%**	**10.28%**	**9.90%**
Tier-one capital adequacy ratio	**11.17%**	**10.29%**	**9.92%**
Capital adequacy ratio	**14.45%**	**12.76%**	**12.16%**

(1) Consists of investment revaluation reserve and remeasurement reserve on defined benefit plans.

(2) Also referred to as "regulatory capital" in this prospectus.

As of December 31, 2014, 2015 and 2016, our core tier-one capital adequacy ratio was 11.16%, 10.28% and 9.90%, respectively, our tier-one capital adequacy ratio was 11.17%, 10.29% and 9.92%, respectively, and our capital adequacy ratio was 14.45%, 12.76% and 12.16%, respectively, all in compliance with the CBRC requirements.

OFF-BALANCE SHEET COMMITMENTS

Our off-balance sheet commitments consist primarily of loan commitments, acceptances, unused credit card commitments, and letters of guarantee and letters of credit issued during our normal course of business. We may, according to the nature of the relevant business, require our customers to provide different types of security for these off-balance sheet arrangements. Loan commitments are our commitments to extend credit. Acceptances consist of undertakings by us to pay bills of exchange issued by our customers. We issue letters of guarantee and letters of credit to guarantee the performance of our customers to third parties. The following table sets forth the contractual amounts of our off-balance sheet commitments as of the dates indicated.

	As of December 31,		
	2014	2015	2016
	(in millions of RMB)		
Loan commitments	63,052	69,286	76,061
Acceptances	16,032	18,071	14,255
Letters of guarantee issued	2,973	2,359	11,159
Unused credit card commitments	2,493	5,553	10,102
Letters of credit issued	11,539	9,207	4,880
Subtotal	96,089	104,476	116,457
Operating lease commitments	1,335	1,459	1,407
Capital commitments	50	81	79
Total	**97,474**	**106,016**	**117,943**

Our total off-balance sheet commitments increased by 8.8% from RMB97,474 million as of December 31, 2014 to RMB106,016 million as of December 31, 2015, primarily due to increases in our loan commitments, unused credit card commitments and acceptances. The increase in our loan commitment primarily reflected the overall growth of our lending business. The increase in the unused credit card commitments was primarily due to an increase in the number of credit cards we issued. The increase in acceptances primarily reflected our customers' increased preference for these financing products due to their relative low costs.

Our total off-balance sheet commitments increased by 11.3% from RMB106,016 million as of December 31, 2015 to RMB117,943 million as of December 31, 2016, primarily attributable to increases in letters of guarantee issued, loan commitments and unused credit card commitments. The increase in our letters of guarantee issued primarily reflected an increase in our customers' demands for these products. The increase in our loan commitment primarily reflected the overall growth of our lending business. The increase in the unused credit card commitments was primarily due to an increase in the number of credit cards we issued.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table sets forth the face value of our known contractual obligations by remaining contract maturity classified into the categories specified below as of December 31, 2016.

	As of December 31, 2016			
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
	(in millions of RMB)			
On-balance sheet				
Subordinated bonds issued	3,498	—	—	3,498
Tier-two capital bonds issued	—	4,097	—	4,097
Certificates of interbank deposit issued	84,700	—	—	84,700
Off-balance sheet				
Operating lease commitments	286	863	258	1,407
Capital commitments	69	10	—	79
Total	88,553	4,970	258	93,781

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions with certain related parties of our Bank, such as taking deposits from, and extending credit facilities and providing other banking services to, the relevant related parties. These transactions were conducted on normal commercial terms and in the ordinary course of our business. Our Directors believe that these related party transactions were carried out on an arm's length basis and would not distort our results of operations during the Track Record Period or make such results not reflective of our future performance. See Note 44 to the Accountants' Report set forth in Appendix I to this prospectus.

QUANTITATIVE AND QUALITATIVE ANALYSIS OF MARKET RISK

Market risk is the risk of financial loss arising from changes in the value of a financial instrument as a result of changes in interest rates, foreign exchange rates, equity prices and commodity prices and other market changes that affect market risk-sensitive instruments. We are exposed to market risk primarily through the assets and liabilities on our balance sheet, as well as our off-balance sheet commitments and guarantees. The market risks to which we are primarily exposed are interest rate risk and exchange rate risk. We have imposed a set of exposure limits on our investment and trading activities in an effort to manage potential market losses within acceptable limits.

Interest Rate Risk

The primary source of our interest rate risk arises from mismatches in the maturity or repricing periods of our banking portfolio. Maturity mismatches may cause net interest income to be affected by changes in the prevailing level of interest rates. Currently, we primarily use gap analysis and sensitivity analysis to assess our exposure to interest rate risk. In addition, different pricing bases for different assets and liabilities may also lead to interest rate risk for our assets and liabilities within the same repricing period. We manage our interest rate risk exposure primarily by adjusting the maturity profile of our banking portfolio based on our assessment of potential changes in the interest rate environment.

Repricing Gap Analysis

The following table sets forth, as of December 31, 2016, the results of our gap analysis based on the earlier of (i) the next expected re-pricing dates, and (ii) the final maturity dates for our financial assets and financial liabilities.

	As of December 31, 2016					
	Up to 3 months	Due over 3 months up to 1 year	Due over 1 year up to 5 years	Due over 5 years	Non-interest-bearing	Total
	(in millions of RMB)					
Financial assets						
Cash and balances with central bank	79,648	—	—	—	3,375	83,023
Amounts due from banks and other financial institutions[(1)]	92,020	10,233	—	—	2	102,255
Financial assets at fair value through profit or loss	31,250	1,284	2,933	310	203	35,980
Loans to customers, net	44,078	177,217	8,886	486	7,268	237,935
Financial investments, net	16,894	69,403	86,492	15,893	1,391	190,073
Others[(2)]	80	—	—	—	5,432	5,512
Total financial assets	**263,970**	**258,137**	**98,311**	**16,689**	**17,671**	**654,778**
Financial liabilities						
Borrowings from central bank	130	407	—	—	—	537
Amounts due to banks and other financial institutions[(3)]	61,131	21,446	1,400	—	—	83,977
Deposits from customers	265,691	94,828	62,183	1,040	—	423,742
Debt securities issued	18,218	69,980	4,097	—	—	92,295
Others[(4)]	1,760	7,755	160	—	9,480	19,155
Total financial liabilities	**346,930**	**194,416**	**67,840**	**1,040**	**9,480**	**619,706**
Re-pricing gap	**(82,960)**	**63,721**	**30,471**	**15,649**	**8,191**	**35,072**
Cumulative re-pricing gap	**(82,960)**	**(19,239)**	**11,232**	**26,881**	**35,072**	

(1) Consists of deposits and placements with banks and other financial institutions and reverse repurchase agreements.

(2) Consists primarily of interest receivables and other receivables.

(3) Consists of deposits and placements from banks and other financial institutions and repurchase agreements.

(4) Consists primarily of borrowings from other banks, interest payables and accrued staff costs.

Sensitivity Analysis

We use sensitivity analysis to measure the potential effect of changes in interest rates on our net profit and equity. The following table sets forth, as of the dates indicated, the results of our interest rate sensitivity analysis based on our assets and liabilities at the same date.

	As of December 31,					
	2014		2015		2016	
	Change in net profit	Change in equity	Change in net profit	Change in equity	Change in net profit	Change in equity
	(in millions of RMB)					
100 basis-point increase	38	(1,152)	(504)	(1,646)	(414)	(1,241)
100 basis-point decrease	(38)	1,219	504	1,317	414	1,304

Based on our assets and liabilities as of December 31, 2016, if interest rates increase (or decrease) by 100 basis points instantaneously, our net profit for the year following December 31, 2016 would decrease (or increase) by RMB414 million, our equity would decrease by RMB1,241 million (or increase by RMB1,304 million).

This sensitivity analysis, which is based on an interest rate risk profile of assets and liabilities at a particular point of time, is used for risk management purposes only. The analysis measures only the impact of changes in the interest rates within a year, which are reflected by the repricing of our assets and liabilities within a year, on our net interest income and other comprehensive income. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or are due within three months and in more than three months but within one year, as shown in the table under " —Repricing Gap Analysis", reprice or become due in the middle of the respective periods (i.e., all the assets and liabilities that reprice or due within three months reprice or become due in 1.5 month, and all the assets and liabilities that reprice or due in more than three months but within one year reprice or become due in 7.5 months), (ii) there is a parallel shift in the yield curve and in interest rates, and (iii) there are no other changes to the portfolio. Therefore, the sensitivity analysis is a limited method to reflect the actual impact of changes in market interest rate on our financial performance, because it does not take into consideration (i) the impact of our assets and liabilities repricing or maturing on different dates, (ii) the different level of changes in yields or costs of our various types of assets and liabilities due to the change in market interest rate, and (iii) changes in our assets and liabilities during our normal course of business. Actual changes in our net interest income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis, as actual changes in our assets and liabilities may differ from the assumptions above.

Exchange Rate Risk

The primary source of our exchange rate risk arises from currency mismatches in our assets and liabilities. We primarily monitor our net currency positions to assess our exposure to exchange rate risk. We manage our exchange rate risk primarily by seeking to match the assets and liabilities on a currency-by-currency basis.

The following table sets forth, as of December 31, 2016, our financial assets and financial liabilities by currency.

	As of December 31, 2016				
	RMB	US$	HK$	Others	Total
	(in millions of RMB equivalent)				
Financial assets					
Cash and balances with central bank	82,930	55	34	4	83,023
Amounts due from banks and other financial institutions(1)	100,440	1,204	596	15	102,255
Financial assets at fair value through profit or loss	35,980	—	—	—	35,980
Loans to customers, net	237,764	171	—	—	237,935
Financial investments, net	190,073	—	—	—	190,073
Others(2)	5,507	5	—	—	5,512
Total financial assets	**652,694**	**1,435**	**630**	**19**	**654,778**
Financial liabilities					
Borrowings from central bank	537	—	—	—	537
Amounts due to banks and other financial institutions(3)	83,659	264	54	—	83,977
Deposits from customers	422,648	665	424	5	423,742
Debt securities issued	92,295	—	—	—	92,295
Others(4)	19,153	2	—	—	19,155
Total financial liabilities	**618,292**	**931**	**478**	**5**	**619,706**
Net balance sheet position	**34,402**	**504**	**152**	**14**	**35,072**

(1) Consists deposits and placements with banks and other financial institutions and reverse repurchase agreements.
(2) Consists primarily of interest receivables and other receivables.
(3) Consists deposits and placements from banks and other financial institutions and repurchase agreements.
(4) Consists primarily of borrowings from other banks, interest payables and accrued staff costs.

The following table sets forth, for the years following the dates indicated, the changes in our annualized profit before tax caused by the appreciation or depreciation of U.S. dollar and Hong Kong Dollar by 1% against Renminbi spot and forward exchange rates as of the date indicated.

	As of December 31,		
	2014	2015	2016
	(in thousands of RMB)		
U.S. dollar			
1% appreciation	3,972	3,258	3,782
1% depreciation	(3,972)	(3,258)	(3,782)
Hong Kong Dollar			
1% appreciation	114	—	1,149
1% depreciation	(114)	—	(1,149)

CAPITAL EXPENDITURES

Our capital expenditures in 2014, 2015 and 2016 were primarily made for upgrading of our information technology system, the upgrading of our outlets, purchase of self-service banking equipment and our security projects.

Our capital expenditures amounted to RMB391 million, RMB417 million and RMB397 million in 2014, 2015 and 2016, respectively. As of December 31, 2016, we had contracted capital commitments of RMB79 million. The foregoing amount and purposes may change depending on business conditions.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of our accounting policies described in Note 3 of the Accountants' Report included in Appendix I to this prospectus, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. During the Track Record Period, we consistently adopted these accounting estimates and judgments, and, except as disclosed below, we currently do not expect any significant changes to these estimates and judgments in the foreseeable future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Consolidation of Minority-owned Subsidiaries

Our consolidated financial statements include the financial statements of our 24 Zhujiang County Banks, all of which are treated as our subsidiaries. A Zhujiang County Bank is consolidated as a subsidiary when we have direct or indirect control over this Zhujiang County Bank. When we hold a minority equity interest in a subsidiary, we achieve control through contractual arrangements with other shareholders or through our rights to appoint majority directors or senior management that are provided in the constituent documents of such subsidiary. We primarily consider three elements when assessing our control over a Zhujiang County Bank, namely (i) our power of control, (ii) our ability to exercise such power of control, or (iii) our exposure to the variable returns from our exercise of control. Our management reassess whether we have control over a Zhujiang County Bank whenever facts and circumstances indicate that there are changes regarding one or more of the three elements of control as listed above. The assessment of our controlling power over Zhujiang County Banks where we hold a minority interest involves substantial judgment. A Zhujiang County Bank will cease to be consolidated as one of our subsidiaries when we lose control over such Zhujiang County Bank.

Impairment Losses on Loans to Customers, Available-for-sale Financial Assets and Held-to-maturity Investments

We assess our loan portfolios, available-for-sale financial assets and held-to-maturity investments periodically to determine whether there is any objective evidence that impairment of such assets has occurred, and, if so, the amount of impairment losses. Such assets are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and such event(s) has an impact on the estimated future cash flows of the loan or loan portfolio that can be reliably estimated. Objective evidence of impairment includes, but is not limited to the following events:

- observable data showing that the estimated future cash flow from an individual loan, available-for-sale financial asset or held-to-maturity investment will significantly decrease,
- observable data showing adverse change in the repayment condition of the obligor or issuer in the portfolio, or
- breach of contract in the portfolio caused by changes in national or regional economic conditions.

Loans considered individually significant, consisting of our corporate loans, discounted bills and certain personal loans of our Zhujiang County Banks, are assessed individually for impairment. The impairment losses for impaired individually significant loans are individually measured as the difference between the asset's carrying value and the present value of the estimated future cash flows, except when such difference for a short-term loan or held-to-maturity investments is small, such difference will not be discounted to its current value. Impairment losses for held-to-maturity investments are assessed based on the observable market value of the impaired asset. Impairment losses for available-for-sale financial assets are measured as the difference between the cost (net of principal repayments and amortizations) and the fair value, net of any impairment losses recognized through profit and loss.

Individually significant loans that exhibit no objective evidence of impairment on an individual basis and homogeneous groups of loans that are individually insignificant are assessed collectively for impairment. The impairment losses for loans assessed collectively for impairment are estimated based on historical loss experience on assets with similar credit risk factors, subject to adjustments based on observable data reflecting current economic conditions. The management reviews the method and assumptions used to estimate the future cash flows to minimize the differences between the estimated and actual loss.

Fair Value of Financial Instruments

Fair value for financial instruments that are quoted in active markets is the market price for such financial instruments. We use valuation technique for financial instruments which are not quoted in an active market. Valuing techniques include discounted cash flow and other pricing models. Our pricing models use observable data to the extent practical. However, the future cash flows are based on the management's best estimates of the future. Changes in assumptions when making these estimates could affect the reported fair value of financial instruments.

Held-to-maturity Investments

We classify non-derivative financial assets with fixed or determinable payments and fixed maturity that our management has the positive intention and ability to hold to maturity as held-to-maturity investments. This classification requires significant judgment. In making this judgment, we evaluate our management's intention and ability to hold such investments to maturity. If we fail to hold these investments to maturity other than for specific circumstances (such as selling an insignificant amount close to maturity), the entire portfolio of assets will be reclassified as available-for-sale financial assets.

Income Taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. We carefully evaluate the tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered regularly to take into account all changes in tax legislation. Deferred income tax assets are recognized for tax losses not yet used and temporary deductible differences. As those deferred income tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred income tax assets are recognized, if it becomes probable that future taxable profits will allow the deferred income tax assets to be recovered.

Impairment of Non-financial Assets

We assess our fix assets and intangible assets periodically for impairment to determine whether the recoverable amount for such assets is below their carrying value. Fix assets and intangible assets are deemed impaired, and impairment losses are recognized, if circumstances indicate that the carrying value of such assets may not be fully recovered.

In assessing the present value of future cash flows, significant judgments are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumptions.

Depreciation and Amortization

Fix assets and intangible assets are depreciated and amortized over their estimated useful lives after taking into account residual values. We review the estimated useful lives of our fix assets and intangible assets periodically to determine the depreciation and amortization costs charged in each period. The estimated useful lives are determined based on historical experience of similar assets and the estimated technical changes. The amount of depreciation and amortization will be revised if there are significant changes in the assumptions used to determine the depreciation or amortization.

Early Retirement Benefits and Supplemental Retirement Benefits

The amount of expenses and obligations for early retirement and supplemental retirement benefits are dependent on the assumptions we use in the calculation of such amounts. These assumptions include discount rates, average growth rate for medical expenses, growth rate for early retirement and supplemental retirement benefits and other factors. While our management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the amount of our expenses and obligations for early retirement and supplemental benefit.

Impact of Future Accounting Policy Changes

We currently assess the impairment of our loans and investment assets under IAS 39. The IASB, which is responsible for developing and revising international accounting standards, issued IFRS 9 and its amendments from time to time, which will replace the accounting standards relating to classification, measurement and de-recognition of financial assets and financial liabilities under IAS 39, and give rise to substantial changes in the classification and measurement of financial assets and financial liabilities. These standards will take effect on January 1, 2018.

The major differences between IFRS 9 and IAS 39 are the measurement categories and the approach for classifying financial assets. The classification of financial assets under IFRS 9 will require us to consider the business model and the contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. Further, for financial assets that will be classified as "amortized cost" or "fair value through other comprehensive income" under IFRS 9, we will be required to apply a new expected credit loss impairment model under IFRS 9, which, as compared to the incurred loss model in IAS 39, uses more forward-looking information instead of an objective evidence of impairment as a precondition for recognizing credit losses. In particular, calculation of impairment of financial instruments on an expected credit loss basis will result in an earlier recognition of, and may result in an increase in, impairment allowances. For details about the differences between IFRS 9 and IAS 39, see Note 2.2 to our historical financial information set forth in Appendix I—"Accountants' Report."

We are assessing the potential impact on our financial statements resulting from the application of IFRS 9, including assessing the need for any system modification related to expected credit loss model, updating policies for financial instruments impairment and launching relevant staff training. We have not completed our assessment of the full impact of adopting IFRS 9 and therefore its possible impacts on our operating results and financial position have not been quantified. We will change our current impairment provisioning practice in the future in accordance with IFRS 9 and any authoritative interpretive guidance on its application. It is expected that the implementation of the expected credit loss model will have an impact on the calculation, amount and timing of the allowance for impairment losses. For details, see "Risk Factors—Risks Relating to the PRC Banking Industry—Future adoption of new accounting policy may affect our results of operations and financial condition."

For other new accounting standards that come into effect after the date of this prospectus, see Note 2.2 to our historical financial information set forth in Appendix I—"Accountants' Report." We may put in place necessary changes to comply with the new standards from time to time.

INDEBTEDNESS

As of April 30, 2017 (being the date for the purpose of this indebtedness statement), we have the following indebtedness:

- subordinated bonds with an aggregate principal amount of RMB3.5 billion with a fixed coupon rate of 5.99%, maturing on June 29, 2022, with an early redemption option attached on June 29, 2017;
- Tier-two capital bonds with an aggregate principal amount of RMB4.1 billion with a fixed coupon rate of 6.26%, maturing on September 15, 2024, with an early redemption option attached on September 15, 2019;
- certificates of interbank deposit in an aggregate principal amount of RMB123,840 million;
- deposits and money market taking from customers and other banks and balances under repurchase agreements that arose from the normal course of our banking business; and
- loan commitments, acceptances, letters of credit and letters of guarantee issued, other commitments and contingencies that arose from the normal course of banking business carried out by us.

Except as disclosed above, we did not have, as of April 30, 2017, any outstanding mortgages, charges, debentures, other debt capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

Our Directors have confirmed that there has not been any material change in the indebtedness or contingent liabilities of our Bank since April 30, 2017 up to the date of this prospectus.

RULE 13.13 TO RULE 13.19 OF THE LISTING RULES

We confirm that there are no circumstances which will trigger disclosure requirements under Rule 13.13 to Rule 13.19 of the Listing Rules.

DIVIDEND

We do not have a specific dividend policy. Our Board of Directors is responsible for submitting proposals (adopted by two-thirds majority) in respect of dividend payments, if any, to the Shareholders' general meeting for approval. The determination of whether to pay dividends and the amount of such dividends is based on our results of operations, cash flows, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board of Directors considers relevant. As approved by our Shareholders' general meeting, our current and new shareholders are both entitled to the cumulated retained earnings prior to the Global Offering. Under the PRC Company Law and our Articles of Association, all of our Shareholders holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholding.

Under PRC laws and our Articles of Association, we may only pay dividends out of our distributable profit. Our distributable profit represents the lower of the net profit as determined under the PRC GAAP and the IFRS, less:

- appropriations we are required to make to the statutory reserve, which is currently 10% of the unconsolidated net profit of our Bank as determined under PRC GAAP, until such reserve reaches an amount equal to 50% of our registered capital;

- a general reserve we are required to set aside; and
- appropriations to a discretionary surplus reserve as approved by the shareholders in an annual general meeting.

Under relevant MOF regulations, we are required to maintain a general reserve no less than 1.5% of the balance of our risk-bearing assets from our net profit after tax. This general reserve constitutes part of our reserves. As of December 31, 2016, our general reserve amounted to RMB8,020 million, in compliance with the MOF requirements in respect of appropriation of the general reserve.

Any distributable profit that is not distributed in a given year is retained and available for distribution in subsequent years. However, generally we do not pay any dividends in a year in which we do not have any distributable profit in respect of that year. The payment of any dividends by us must also be approved at a Shareholders' general meeting. We are prohibited from making any profit distributions to our Shareholders before recovering our accumulated losses and making appropriations to the statutory surplus reserve, the general reserve, and any discretionary surplus reserve as approved by our Shareholders' general meeting. If we make any profit distributions in violation of these rules, our Shareholders are required to return the amounts they received in such profit distributions to us.

CBRC has the discretionary authority to prohibit any bank that fails to meet the relevant capital adequacy ratio requirements, or has violated other relevant PRC banking regulations, from paying dividends or making other forms of distributions. As of December 31, 2016, we had a capital adequacy ratio of 12.16%, a tier-one capital adequacy ratio of 9.92% and a core tier-one capital adequacy ratio of 9.90%, in compliance with the relevant CBRC regulations. See "Supervision and Regulation—Supervision over Capital Adequacy—Regulatory Requirements in Respect of Capital Adequacy Ratios" and "Supervision and Regulation—Principal Regulators—CBRC."

In 2014, we declared and paid dividends of RMB2,038 million for the year ended December 31, 2013. In 2015, we declared and paid dividends of RMB2,283 million for the year ended December 31, 2014. In 2016, we declared and paid dividends of RMB1,631 million for the year ended December 31, 2015. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form or size dividends will be paid in the future.

LISTING EXPENSES

We incur listing expenses in connection with the Listing, which include professional fees, underwriting commission and fees. Assuming an Offer Price of HK$5.13 per H Share, being the mid-point of the proposed Offer Price range as stated in this prospectus, and the Over-allotment Option is not exercised, listing expenses to be borne by us are estimated to be approximately RMB155 million. As of December 31, 2016, we had incurred listing expenses of RMB24 million. Listing expenses of approximately RMB131 million are expected to be incurred after December 31, 2016, of which RMB15 million is expected to be charged to our consolidated statement of profit or loss and other comprehensive income and RMB116 million is expected to be accounted for as a deduction from equity.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets is prepared based on our consolidated net tangible assets as of December 31, 2016 in derived from our financial information as of December 31, 2016 as set forth in Appendix I to this prospectus, adjusted as described below.

The statement of unaudited pro forma adjusted consolidated net tangible assets has been prepared to show the effect on our unaudited consolidated net tangible assets as of December 31, 2016 as if the Global Offering had occurred on December 31, 2016, assuming the Over-allotment option is not exercised. The unaudited pro forma adjusted consolidated net tangible assets per share is calculated in accordance with Listing Rules 4.29.

The statement of the unaudited pro forma adjusted consolidated net tangible assets of our bank has been prepared for illustrative purposes only and, as a result, may not be an accurate reflection of our financial position.

	Consolidated net tangible assets as of December 31, 2016(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets(3)	Unaudited pro forma adjusted consolidated net tangible assets per share	
		(in millions of RMB)		(RMB)	(HK$)
Based on the Offer Price of HK$4.99 per Offer Share	35,729	6,179	41,909	4.37(4)	4.96(5)
Based on the Offer Price of HK$5.27 per Offer Share	35,729	6,528	42,257	4.41(4)	5.00(5)

(1) The consolidated net tangible assets attributable to our Shareholders as of December 31, 2016 is compiled based on the Accountants' Report set out in Appendix I to the prospectus, which is based on the consolidated net assets attributable to our Shareholders as of December 31, 2016 of RMB35,845 million with an adjustment for intangible assets of RMB116 million as of December 31, 2016.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$4.99 per share and HK$5.27 per share after deduction of the underwriting fees and other related expenses payable by us, and do not take into account any shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to our Shareholders do not take into account the effect of the profit for the period from and including January 1, 2017 to the date immediately preceding the date of the Global Offering and the distribution of such profit to the Shareholders during that period.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share are arrived at after adjustments referred to in note (2) above on the basis that 9,592,418,539 shares (comprised 8,153,418,539 Shares issued and outstanding on December 31, 2016 and 1,439,000,000 Shares to be newly issued pursuant to the Global Offering) are issued and outstanding following the completion of the Global Offering and that the Over-allotment Option is not exercised.

(5) The translation of Renminbi into Hong Kong Dollars has been made at the rate of RMB0.88171 to HK$1.00, the median rate published by China Foreign Exchange Trade System with the authorization by PBoC on May 26, 2017. No representation is made that the Hong Kong Dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business has continued to grow since December 31, 2016. Our total loans to customers continued to grow during the three months ended March 31, 2017, reflecting an overall growth of our loan business. Our holding of financial investments also continued to grow during the three months ended March 31, 2017, primarily as a result of our continued efforts to grow our financial markets business. Our total deposits from customers remained relatively stable as of March 31, 2017 compared to December 31, 2016. Both our total assets and total liabilities remained relatively stable as of March 31, 2017 compared to December 31, 2016.

On April 25, 2017, the shareholders of our Bank approved the declaration of cash dividends of RMB0.2 per share, totaling RMB1,631 million for the year ended December 31, 2016 at the annual general meeting of our Bank.

On June 28, 2012, we issued subordinated bonds in an aggregate principal amount of RMB3.5 billion with a fixed coupon rate of 5.99% per annum and the maturity date on June 29, 2022, with the option to early redeem such subordinated bonds on June 29, 2017. We obtained the relevant regulatory approval in May 2017 to exercise the redemption right on June 29, 2017.

Our Directors have confirmed that, except as disclosed in this prospectus, there has been no material adverse change in our financial or trading position since December 31, 2016 and up to the date of this prospectus.

WORKING CAPITAL

Rule 8.21A(1) and Paragraph 36 of part A of Appendix 1 of the Listing Rules require this prospectus to include a statement by our directors that, in their opinion, the working capital available to us is sufficient for at least 12 months from the publication of this prospectus or, if not, how it is proposed to provide the additional working capital our directors consider to be necessary. We are of the view that the traditional concept of "working capital" does not apply to banking businesses such as ours. We are regulated in the PRC by, among others, PBoC and CBRC. These regulatory authorities impose minimum capital adequacy and liquidity requirements on commercial banks operating in the PRC. Rule 8.21A(2) of the Listing Rules provides that such a working capital statement will not be required to be made by an issuer whose business is entirely or substantially that of the provision of financial services, provided that the Hong Kong Stock Exchange is satisfied that the inclusion of such a statement would not provide significant information for investors and the issuer's solvency and capital adequacy are subject to prudential supervision by another regulatory body. In view of the above, pursuant to Rule 8.21A(2) of the Listing Rules, we are not required to include a working capital statement from the directors in this prospectus.

POSSIBLE INVESTMENT AFTER THE TRACK RECORD PERIOD

On January 5, 2016, we entered into a memorandum of understanding with Zhuzhou Rural Credit Cooperative (株洲縣農村信用合作聯社) ("**ZRCC**"), CBRC Hunan Office, the Hunan Rural Credit Union and Zhuzhou County People's Government in relation to a possible investment by us (the "**Possible Investment**") upon the proposed restructuring of ZRCC into Zhuzhou Zhujiang Rural Commercial Bank, a rural commercial bank. ZRCC is a rural credit cooperative based in Zhuzhou, Hunan and engages primarily in the provision of banking services through its business outlets in Zhuzhou County.

We consider that the Possible Investment would present us an opportunity to strengthen our presence and business operations in Hunan and would assist the expansion of our business network. Our strategic partnership with Zhuzhou Zhujiang Rural Commercial Bank through the Possible Investment will benefit both our and ZRCC's operations and management, product development, corporate governance and liquidity management, as well as enhance market competitiveness and risk resistance of both parties.

On December 19, 2016, the preparatory committee commenced promotion of Zhuzhou Zhujiang Rural Commercial Bank. Save as disclosed above, as of the Latest Practicable Date, the timetable for the proposed restructuring of ZRCC had not yet been confirmed. The relevant parties will proceed to negotiate specific terms of a financial agreement.

Given the immateriality of the Possible Investment, among other things, we have applied to the Hong Kong Stock Exchange and the Hong Kong Stock Exchange has granted a waiver from strict compliance with the requirements of Rules 4.04(2) and 4.04(4) of the Listing Rules in relation to the Possible Investment.

Based on the management accounts of ZRCC prepared in accordance with the PRC GAAP, the unaudited net asset value of ZRCC amounted to RMB98 million and RMB80 million as of December 31, 2015 and 2016, respectively, and ZRCC recorded unaudited profit before taxation of RMB24 million, RMB27 million and RMB28 million and profit after taxation of RMB18 million, RMB21 million and RMB24 million for the years ended December 31, 2014, 2015 and 2016, respectively.

ZRCC's financial statements have not been audited or reviewed by the Reporting Accountants. Potential investors should be aware that adjustments may arise if these financial statements had been audited or reviewed by the Reporting Accountants.

FUTURE PLANS

For details on our future plans, see "Business—Our Strategies."

USE OF PROCEEDS

Assuming an Offer Price of HK$4.99, being the low-end of the proposed Offer Price range, we estimate that the net proceeds of the Global Offering (after deduction of underwriting commissions and estimated expenses borne by us in relation to the Global Offering) to be approximately HK$7,008 million, if the Over-allotment Option is not exercised, or approximately HK$8,064 million, if the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$5.13, being the mid-point of the proposed Offer Price range, we estimate that the net proceeds of the Global Offering (after deduction of underwriting commissions and estimated expenses borne by us in relation to the Global Offering) to be approximately HK$7,206 million, if the Over-allotment Option is not exercised, or approximately HK$8,291 million, if the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$5.27, being the high-end of the proposed Offer Price range, we estimate that the net proceeds of the Global Offering (after deduction of underwriting commissions and estimated expenses borne by us in relation to the Global Offering) to be approximately HK$7,403 million, if the Over-allotment Option is not exercised, or approximately HK$8,518 million, if the Over-allotment Option is exercised in full.

We estimate that the net proceeds from the sale of Sale Shares by the Selling Shareholders pursuant to the Global Offering (after deduction of estimated expenses payable by the Selling Shareholders in relation to the Global Offering), to be:

- approximately HK$718 million, if the Over-allotment Option is not exercised, or approximately HK$826 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$4.99, being the low-end of the proposed Offer Price range;
- approximately HK$738 million, if the Over-allotment Option is not exercised, or approximately HK$849 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$5.13, being the mid-point of the proposed Offer Price range; and
- approximately HK$758 million, if the Over-allotment Option is not exercised, or approximately HK$872 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$5.27, being the high-end of the proposed Offer Price range.

Based on a letter issued by NSSF (She Bao Ji Jin Hui Han [2017] No. 9) on March 6, 2017, all the net proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering will be remitted to an account designated by NSSF in accordance with the relevant PRC laws and regulations. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders pursuant to the Global Offering.

We intend to use the net proceeds from the Global Offering (after deduction of underwriting commissions and estimated expenses borne by us in relation to the Global Offering) to strengthen our capital base to support the sustainable growth of our business.

THE CORNERSTONE PLACING

The Bank has entered into cornerstone investment agreements ("**Cornerstone Investment Agreements**") with certain investors (the "**Cornerstone Investors**", each, a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors in aggregate have agreed to subscribe at the Offer Price (1) 590,458,000 H Shares and (2) such number of H Shares as may be purchased with US$40 million (approximately HK$311,692,000) (rounded down to the nearest whole board lot). Assuming: (1) no exercise of the Over-allotment Option and the Offer Price is HK$5.27, being the high-end of the Offer Price range shown in this prospectus, the Cornerstone Investor will subscribe for an aggregate amount of 649,602,000 H Shares, and the total number of H Shares that the Cornerstone Investors would subscribe for would represent 41.04% of the Offer Shares, and 6.77% of the Shares in issue upon the completion of the Global Offering; (2) no exercise of the Over-allotment Option and the Offer Price is HK$5.13, being the mid-point of the Offer Price range shown in this prospectus, the Cornerstone Investors will subscribe for an aggregate amount of 651,216,000 H Shares, and the total number of H Shares that the Cornerstone Investors would subscribe for would represent 41.14% of the Offer Shares, and 6.79% of the Shares in issue upon the completion of the Global Offering; and (3) no exercise of the Over-allotment Option and the Offer Price is HK$4.99, being the low-end of the Offer Price range shown in this prospectus, the Cornerstone Investor will subscribe for an aggregate amount of 652,921,000 H Shares, and the total number of H Shares that the Cornerstone Investors would subscribe for would represent 41.25% of the Offer Shares, and 6.81% of the Shares in issue upon the completion of the Global Offering. Assuming: (1) full exercise of the Over-allotment Option and the Offer Price is HK$5.27, being the high-end of the Offer Price range shown in this prospectus, the total number of H Shares that the Cornerstone Investors would subscribe for would represent 35.69% of the Offer Shares, and 6.62% of the Shares in issue upon the completion of the Global Offering; (2) full exercise of the Over-allotment Option and the Offer Price is HK$5.13, being the mid-point of the Offer Price range shown in this prospectus, the total number of H Shares that the Cornerstone Investors would subscribe for would represent 35.77% of the Offer Shares, and 6.64% of the Shares in issue upon the completion of the Global Offering; and (3) full exercise of the Over-allotment Option and the Offer Price is HK$4.99, being the low-end of the Offer Price range shown in this prospectus, the total number of H Shares that the Cornerstone Investors would subscribe for would represent 35.87% of the Offer Shares, and 6.66% of the Shares in issue upon the completion of the Global Offering.

The cornerstone placing forms part of the International Offering and none of such Cornerstone Investors will subscribe for any Offer Shares under the Global Offering other than pursuant to their respective Cornerstone Investment Agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid H Shares in issue upon the completion of the Global Offering and will be counted towards the public float of the Bank. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in the Bank, nor will any of the Cornerstone Investors become a substantial shareholder of the Bank (as defined under the Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in "Structure of the Global Offering—Hong Kong Public Offering".

To the best knowledge of the Bank, each of the Cornerstone Investors is an Independent Third Party and independent of other Cornerstone Investors, not a connected person and not an existing shareholder or close associates of the Bank.

CORNERSTONE INVESTORS

The Bank has entered into the Cornerstone Investment Agreements with each of the following Cornerstone Investors in respect of the cornerstone placing:

1. Aerial Wonder Company Limited

Aerial Wonder Company Limited ("Aerial Wonder") has agreed to subscribe for 295,229,000 H Shares at the Offer Price. Assuming no exercise of the Over-allotment Option, the total number of H Shares that Aerial Wonder would subscribe for would represent approximately 18.65% of the Offer Shares, and approximately 3.08% of the Shares in issue upon the completion of the Global Offering. Assuming full exercise of the Over-allotment Option, the total number of H Shares that Aerial Wonder would subscribe for would represent approximately 16.22% of the Offer Shares, and approximately 3.01% of the Shares in issue upon the completion of the Global Offering.

Aerial Wonder, a company incorporated in the British Virgin Islands, is a wholly owned subsidiary of China Civil Aviation Investment Group Limited (中國民用航空投資集團有限公司) which is in turn an indirectly-held and wholly owned subsidiary of HNA Aviation Group Co., Ltd. (海航航空集團有限公司) ("HNA Aviation").

Aerial Wonder's principal business is investment holding and is an investment platform of HNA Aviation. HNA Aviation is principally engaged in investment management of air transport and aviation-related businesses including aircraft maintenance, general aviation, commercial aviation services, ground support and air cargo logistics. It is also engaged in financial investments, and holds investment stakes in certain listed companies.

Aerial Wonder has obtained external financing by entering into a loan facility with CCB International Securities Limited (the "CCBI Lender") to finance its subscription of the Offer Shares. The ultimate beneficial owner of the CCBI Lender is China Construction Bank Corporation, a company listed on the Main Board of the Hong Kong Stock Exchange (Stock code: 939) and the Shanghai Stock Exchange (stock code: 601939). The loan has been obtained on normal commercial terms after arm's length negotiations with no other direct or indirect benefits given by the CCBI Lender. All or some of the Offer Shares to be subscribed for by Aerial Wonder will be charged to the CCBI Lender as security for the loan facility. Under the financing arrangement, upon the occurrence of certain customary events of default, Aerial Wonder will be required to repay the loan before its maturity. The CCBI Lender therefore has the right to enforce the security interest in the Offer Shares subject to such charge at any time upon the occurrence of certain customary events of default, save that Aerial Wonder agrees and undertakes to the Bank to procure the CCBI Lender not to and the CCBI Lender agrees and undertakes to the Bank not to, dispose of the collateral shares under the financing arrangement (as the case maybe) at the time during the period of six months following the Listing Date.

2. Aeon Life Insurance Company Limited

Aeon Life Insurance Company Limited ("Aeon Life") has agreed to subscribe for 295,229,000 H Shares at the Offer Price. Assuming no exercise of the Over-allotment Option, the total number of H Shares that Aeon Life would subscribe for would represent approximately 18.65% of the Offer Shares, and approximately 3.08% of the Shares in issue upon the completion of the Global Offering. Assuming full exercise of the Over-allotment Option, the total number of H Shares that Aeon Life would subscribe for would represent approximately 16.22% of the Offer Shares, and approximately 3.01% of the Shares in issue upon the completion of the Global Offering.

Aeon Life is a company incorporated in the PRC. Its principal businesses include life insurance, health insurance, accident insurance and other types of personal insurance businesses, the reinsurance business of the abovementioned businesses and the use of insurance funds as permitted by PRC laws and regulations. Aeon Life was established in June 2009 with a registered capital of RMB7.7948 billion as a national domestic life insurance company headquartered in Dalian. As of the end of 2016, the total assets of Aeon Life exceeded RMB50 billion.

3. International Merchants Holdings

International Merchants Holdings has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$40 million (approximately HK$311,692,000) at the Offer Price. Assuming: (1) no exercise of the Over-allotment Option and the Offer Price is HK$5.27, being the high-end of the Offer Price range shown in this prospectus, International Merchants Holdings will subscribe for an aggregate amount of 59,144,000 H Shares, representing approximately 3.74% of the Offer Shares, and 0.62% of the Shares in issue upon the completion of the Global Offering; (2) no exercise of the Over-allotment Option and the Offer Price is HK$5.13, being the mid-point of the Offer Price range shown in this prospectus, International Merchants Holdings will subscribe for an aggregate amount of 60,758,000 H Shares, representing approximately 3.84% of the Offer Shares, and 0.63% of the Shares in issue upon the completion of the Global Offering; and (3) no exercise of the Over-allotment Option and the Offer Price is HK$4.99, being the low-end of the Offer Price range shown in this prospectus, International Merchants Holdings will subscribe for an aggregate amount of 62,463,000 H Shares, representing approximately 3.95% of the Offer Shares, and 0.65% of the Shares in issue upon the completion of the Global Offering. Assuming: (1) full exercise of the Over-allotment Option and the Offer Price is HK$5.27, being the high-end of the Offer Price range shown in this prospectus, the total number of H Shares that International Merchants Holdings will subscribe for would represent approximately 3.25% of the Offer Shares, and 0.60% of the Shares in issue upon the completion of the Global Offering; (2) full exercise of the Over-allotment Option and the Offer Price is HK$5.13, being the mid-point of the Offer Price range shown in this prospectus, the total number of H Shares that International Merchants Holdings will subscribe for would represent approximately 3.34% of the Offer Shares, and 0.62% of the Shares in issue upon the completion of the Global Offering; and (3) full exercise of the Over-allotment Option and the Offer Price is HK$4.99, being the low-end of the Offer Price range shown in this prospectus, the total number of H Shares that International Merchants Holdings will subscribe for would represent approximately 3.43% of the Offer Shares, and 0.64% of the Shares in issue upon the completion of the Global Offering.

International Merchants Holdings is an investment holding company incorporated in the Cayman Islands, and represents a joint venture between Geoswift International Limited ("Geoswift") and International Merchants Group Limited ("IMG Group"). Geoswift is an investment holding company incorporated in the British Virgin Islands and an associate of Geoswift Group. Geoswift Group is a leading international provider of innovative financial and technical services focused on developing a one-stop, diversified cross-border payment, clearing and remittance solutions with offices in major cities around the world, including Vancouver, Seattle, San Francisco, London, Hong Kong and Shanghai. Geoswift Group's subsidiary, Shanghai Geoswift Business Service Co., Ltd., is one of the authorized financial institutions approved by the State Administration of Foreign Exchange of the PRC, with authorisation to engage in personal currency exchange business in China. IMG Group is an investment holding company incorporated in the Cayman Islands, focusing on investments in real estate, finance and technology sectors. IMG Group holds properties including but not limited to

Xiamen Marriott Hotel, Strait International Fashion Center, Beijing Headquarters International and other properties in the PRC.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, amongst other things, the following conditions precedent:

a. the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into, having becoming effective and unconditional (in accordance with their respective original terms or as subsequently waived, to the extent if may be waived, or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements;

b. the Offer Price having been agreed by the Joint Representatives (on behalf of the Underwriters) and the Bank in connection with the Global Offering;

c. the Listing Committee of the Hong Kong Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares and such approval or permission not having been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;

d. the respective representations, warranties, undertakings and acknowledgements of the Cornerstone Investor, and the Bank are (as of the date of the relevant Cornerstone Investment Agreements) and will be (as of the Listing Date and the Delivery Date (as defined in the relevant Cornerstone Investment Agreements)) true and accurate in all material respects and not misleading and there being no breach of the relevant Cornerstone Investment Agreements on the part of the relevant Cornerstone Investor; and

e. no Laws (as defined in the relevant Cornerstone Investment Agreements) shall have been enacted or promulgated by any Governmental Authority (as defined in the relevant Cornerstone Investment Agreements) which prohibits the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the Cornerstone Investors has agreed that, without the prior written consent of the Bank and the Joint Representatives, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant Cornerstone Investment Agreements) any of the relevant H Shares or any interest in any company or entity holding any of the relevant H Shares, other than in certain limited circumstances such as transfers to any wholly-owned subsidiary of such Cornerstone Investor provided that, amongst other requirements, such wholly-owned subsidiary undertakes to, and the Cornerstone Investor undertakes to procure that such subsidiary will, abide by such restrictions imposed on the Cornerstone Investor.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
China Merchants Securities (HK) Co., Limited
ABCI Securities Company Limited
CCB International Capital Limited
AMTD Asset Management Limited
BOCI Asia Limited
CMB International Capital Limited
GF Securities (Hong Kong) Brokerage Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Bank is offering initially 118,718,000 Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong and subject to the terms and conditions of this prospectus and the Application Forms.

Subjecting to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, our H Shares to be offered under the Global Offering as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

One of the conditions is that the Offer Price must be agreed between us on behalf of ourselves and the Selling Shareholders, and the Joint Representatives, on behalf of the Hong Kong Underwriters. For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between us on behalf of ourselves and the Selling Shareholders, and the Joint Representatives, on behalf of the Hong Kong Underwriters, the Global Offering will not proceed.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If, at any time prior to 8:00 a.m. on the day that trading in our H Shares commences on the Hong Kong Stock Exchange any of the events set out below shall develop, occur, exist or come into force:

- any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Singapore, the United States, the United Kingdom, the European Union (or any member thereof) or Japan (each a "**Relevant Jurisdiction**"); or

- any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States in or affecting any Relevant Jurisdiction; or

- any local, national, regional or international event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, outbreak of diseases, epidemics or pandemics including, but not limited to, SARS, swine or avian flu, H5N1, H5N6, H1N1, H1N7, H7N9 and such related/mutated forms) in or directly or indirectly affecting any Relevant Jurisdiction; or

- any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

- the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

- any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the Nasdaq Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange; or

- any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of the Company listed or quoted on a stock exchange or an over-the-counter market; or

- any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Governmental Authority (as defined in the Hong Kong Underwriting Agreement)), New York (imposed at Federal or New York State level or other competent Governmental Authority (as defined in the Hong Kong Underwriting Agreement)), London, Singapore, the PRC, the European Union (or any member thereof), Japan or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

- any change or prospective change in exchange controls, currency exchange rates or foreign investment regulations, or any change or prospective change in Taxation (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or
- non-compliance of the Prospectus (or any other documents used in connection with the contemplated offer and sale of the H Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws (as defined in the Hong Kong Underwriting Agreement); or
- the issue or requirement to issue by the Bank of a supplemental or amendment to this prospectus, Application Forms, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the H Shares pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or
- any litigation or claim being threatened or instigated against the Company, any Director or any Supervisor; or
- any contravention by the Company or any Director or Supervisors of the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures Ordinance, the PRC Company Law, the Listing Rules or any applicable Laws; or
- any change or development involving a prospective change which has the effect of materialization of any of the risks set out in the section headed "Risk Factors" in this prospectus; or
- a Governmental Authority (as defined in the Hong Kong Underwriting Agreement) or a regulatory body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against the Bank, any Director or any Supervisor; or
- any of the chairman or president vacating his office, any Director or any Supervisor being charged with an indictable offence or prohibited by operation of Laws (as defined in the Hong Kong Underwriting Agreement) or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any of them in his or her capacity as such or an announcement by any governmental, political, regulatory body that it intends to take any such action which would affect or could reasonably be expected to affect the suitability or eligibility of the Bank for listing; or
- any adverse change or prospective adverse change in the earnings, results of operations, business, financial or trading position, conditions or prospects (financial or otherwise) of the Bank (including any litigation or claim of any third party being threatened or instigated against the Bank); or
- any valid demand by creditors for repayment of indebtedness (other than indebtedness arising from the ordinary course of business of the Bank) or a petition being presented for the winding-up or liquidation of the Bank or the Bank making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution

being passed for the winding-up of the Bank or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Bank or anything analogous thereto occurs in respect of the Bank,

and which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters):

- is or will be or is reasonably expected to be materially adverse or prejudicial to the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, position or condition (financial or otherwise), or prospects of the Bank as a whole or to any present or prospective shareholder of the Bank in its capacity as such; or
- has or will have or is reasonably expected to have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or will make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or
- makes or will make or is reasonably expected to make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the formal notice, the preliminary offering circular or the offering circular of the Bank; or
- would have or may have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

there has come to the notice of the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

- that any statement contained in the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Bank in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement), and/or any notices, announcements, advertisements, communications or other documents so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or
- any contravention by the Bank, or any Director or any Supervisor of any Law (as defined in the Hong Kong Underwriting Agreement); or
- non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws (as defined in the Hong Kong Underwriting Agreement); or

- any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or
- either (i) there has been a breach of any of the obligations, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Bank or any Selling Shareholders or (ii) any of the representations or warranties given by the Bank in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is breached, untrue, incomplete, inaccurate or misleading; or
- any of the Reporting Accountants, or any of the counsel or advisor of the Bank or other experts has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- any event, act or omission which gives or is likely to give rise to any liability of the Bank pursuant to the indemnities given by the Bank under the Hong Kong Underwriting Agreement; or
- any litigation or dispute or potential litigation or disputes which would affect the operation, financial condition or reputation of the Bank; or
- any breach of any of the obligations of the Bank under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- approval by the CSRC, CBRC and the Hong Kong Stock Exchange of the Listing of and permission to deal in, the H Shares (including Over-allotment Option Shares) under the Global Offering is refused or not granted, on or before the Listing Date, or if granted the approval is subsequently revoked withdrawn, qualified or withheld; or
- any adverse change or prospective adverse change or development involving a prospective adverse change in the assets, liabilities, business, general affairs, management, shareholder's equity, profits, losses, properties, results of operations, trading position condition or prospects (financial or otherwise) of the Group, as a whole; or
- the grant or agreement to grant by the Listing Committee of the listing on the Hong Kong Stock Exchange of, and permission to deal on the Hong Kong Stock Exchange in the Offer Shares refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or
- the Bank has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;
- a prohibition on the Bank for whatever reason from allotting or selling the H Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering,

then the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) may, in their sole and absolute discretion and upon giving notice in writing to the Bank, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules

Undertakings by our Bank

We have undertaken to the Hong Kong Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules, the Global Offering and the Over-allotment Option, no further shares or securities convertible into shares of our Bank (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Bank

Pursuant to the Hong Kong Underwriting Agreement, we have also undertaken to each of the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date (the "**First Six Month Period**"), we will not, without the prior written consent of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other equity securities or securities convertible into equity securities of our Bank, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other equity securities or securities convertible into equity securities of our Bank, as applicable), or deposit any share capital or other equity securities or securities convertible into equity securities of our Bank, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of such share capital or any other securities of our Bank, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Bank, as applicable); or

(iii) enter into any transaction with the same economic effect as any transaction described above; or

(iv) offer to or agree to do any of the foregoing or announce any intention to do so, in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise or publicly disclose that our Bank will or may enter into any transaction described above.

Our Bank further agrees that, in the event of an issue or disposal of any H Shares or any interest therein after the First Six Month Period expires, we will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of our Bank will, create a disorderly or false market for any Shares or other securities of our Bank.

Hong Kong Underwriters' Interests in Our Bank

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement (if applicable), none of the Hong Kong Underwriters has any shareholding interests in our Bank or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Bank.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

The International Offering

In connection with the International Offering, it is expected that our Bank will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Bank and the Selling Shareholders are expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Bank and the Selling Shareholders to allot and issue or sell up to an aggregate of 237,435,000 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

TOTAL COMMISSION AND EXPENSES

Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 1.0% of the aggregate Offer Price in respect of all of the Hong Kong Offer Shares under the Hong Kong Public Offering (excluding such Offer Shares reallocated to and from the Hong Kong Public Offering pursuant to the Hong Kong Underwriting Agreement). We will also pay an incentive fee up to 0.8% at our sole discretion of the aggregate Offer Price of all the Offer Shares finally included in the Global Offering to the Underwriters of the Global Offering.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters (but not the Hong Kong Underwriters).

The aggregate commissions and fees (including a discretionary incentive fee), together with the listing fees, SFC transaction levy, the Hong Kong Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately HK$176 million in total (assuming an Offer Price of HK$5.13 per Offer Share, which is the mid-point of our indicative price range for the Global Offering and assuming the Over-allotment Option is not exercised).

ACTIVITIES BY UNDERWRITING MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and, together referred to as "**Underwriting Members**", may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Underwriting Members are subject to restrictions, including the following:

- the Underwriting Members must not, in connection with the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market (except the Stabilizing Manager, its affiliates or any person acting for it); and
- all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Underwriting Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the H Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Underwriting Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Underwriting Members or their affiliates of any listed securities having the H Shares as their or part of their underlying assets, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in the sections headed "Structure of the Global Offering—Over-allotment Option" and "Information About this Prospectus and the Global Offering—Over-allotment option and Stabilization." These activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Other Services to Our Bank

Certain of the Joint Representatives, the Joint Global Coordinators, the Hong Kong Underwriters or their respective affiliates have, from time to time, provided and expect to provide in the future investment banking and other services to our Bank and our respective affiliates, for which such Joint Representatives, Joint Global Coordinators, Hong Kong Underwriters or their respective affiliates have received or will receive customary fees and commissions.

OVER-ALLOTMENT OPTION AND STABILIZATION

For details of the arrangements relating to the Over-allotment Option and stabilization, please refer to "Structure of the Global Offering—Stabilization" in this prospectus.

JOINT SPONSORS' INDEPENDENCE

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 118,718,000 H Shares in Hong Kong as described below in the paragraph entitled "Hong Kong Public Offering" below; and

(ii) the International Offering of initially 1,464,182,000 H Shares (subject to adjustment and the Over-allotment Option) in the United States to QIBs in reliance on Rule 144A and outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S or another exemption from the registration requirements under the U.S. Securities Act. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Joint Representatives (for themselves and on behalf of the International Underwriters) have an option to require our Bank and the Selling Shareholders to issue and allot or to sell up to an aggregate of 237,435,000 additional Offer Shares, representing 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any.

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

The Offer Shares will represent approximately 16.5% of the enlarged issued share capital of the Bank immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 18.56% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed "Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed "Reallocation and clawback waiver" below.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Bank is initially offering 118,718,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 7.5% of the total number of Offer Shares initially available under the Global Offering. The Hong Kong Offer Shares initially offered will represent approximately 1.24% of the Bank's issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering (in respect of pool A and pool B) will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation of each group may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation of the Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 59,359,000 Offer Shares are liable to be rejected.

Reallocation and clawback waiver

Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. An application has been made for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, the allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the following adjustments:

- 118,718,000 Offer Shares, representing approximately 7.5% of the total number of the Offer Shares which are initially available in the Global Offering;
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 30 times the number of Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 189,948,000 Offer Shares, representing 12% of the Offer Shares initially available under the Global Offering;

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 30 times or more but less than 60 times the number of Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 237,436,000 Offer Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering; and
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 60 times or more the number of Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offer, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 474,870,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, under particular circumstances, be reallocated as between these offerings by the Joint Representatives (for themselves and on behalf of the Underwriters). Subject to the foregoing paragraph, the Joint Representatives may reallocate H Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Representatives may have an option in their sole and absolute discretion to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of H Shares offered on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$5.27 per H Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" below, is less than the maximum price of HK$5.27 per H Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section entitled "How to Apply for Hong Kong Offer Shares."

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

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

Subject to reallocation as described above, the International Offering will consist of an initial offering of an aggregate of 1,464,182,000 H Shares (subject to adjustment and the Over-allotment Option) in the United States to QIBs in reliance on Rule 144A and outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S or another exemption from the registration requirements under the U.S. Securities Act, representing approximately 92.5% of the total number of Offer Shares under the Global Offering and approximately 15.26% of the share capital of the Bank immediately after the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph entitled "Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Bank and our shareholders as a whole.

The Joint Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we and the Selling Shareholders are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Representatives on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Representatives (for themselves and on behalf of the International Underwriters) have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Bank and the Selling Shareholders to allot and issue or sell up to an aggregate of 237,435,000 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 2.42% of the Bank's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

The Selling Shareholders are initially offering a total of 143,900,000 Sale Shares as part of the Global Offering. The Selling Shareholders may sell up to an aggregate of 165,485,000 Sale Shares if the Over-allotment Option is exercised in full. Pursuant to a letter issued by the NSSF on March 7, 2017, the NSSF instructed us, among other things, to remit the proceeds (after deduction of the SFC transaction levy and Hong Kong Stock Exchange trading fee) from the sale of the Sale Shares currently registered in the name of the Selling Shareholders in the Global Offering to an account designated by the NSSF in accordance with the relevant PRC laws and regulations.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of the H Shares that may be over-allocated will not exceed the number of the H Shares that may be sold under the Over-allotment Option, namely, 237,435,000 H Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

1. over-allocation for the purpose of preventing or minimizing any reduction in the market price;
2. selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price;
3. subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option in order to close out any position established under (1) or (2) above;
4. purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;
5. selling or agreeing to sell the H Shares to liquidate a long position held as a result of those purchases; and
6. offering or attempting to do anything described in (2), (3), (4) and (5) above.

Stabilizing actions by the Stabilizing Manager, its affiliates or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, its affiliates or any person acting for it, may maintain a long position in the H Shares.

The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Hong Kong Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on July 13, 2017. As a result, demand for the H Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the H Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Tuesday, June 13, 2017, and in any event on or before Monday, June 19, 2017, by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Bank (on behalf of ourselves and the Selling Shareholders) and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$5.27 per H Share and is expected to be not less than HK$4.99 per H Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.**

The Joint Representatives, for themselves and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Bank on behalf of ourselves and the Selling Shareholders, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Bank will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and on the website of our Bank at **www.grcbank.com** notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Joint Representatives, for themselves and on behalf of the Underwriters, and our Bank on behalf of ourselves and the Selling Shareholders, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Bank and the Joint Representatives, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Representatives may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of H Shares comprised in the Hong Kong Public Offering shall not be less than 5% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Representatives.

The net proceeds of the Global Offering accruing to our Bank (after deduction of underwriting commissions and other expenses payable by our Bank in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$7,008 million, assuming an Offer Price per H Share of HK$4.99, or approximately HK$7,403 million, assuming an Offer Price per H Share of HK$5.27 (or if the Over-allotment Option is exercised in full, approximately HK$8,064 million, assuming an Offer Price per H Share of HK$4.99, or approximately HK$8,518 million, assuming an Offer Price per H Share of HK$5.27).

The Offer Price for H Shares under the Global Offering is expected to be announced on Monday, June 19, 2017. The indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Monday, June 19, 2017 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and on the website of our Bank at **www.grcbank.com**.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional. Our Bank and the International Underwriters expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section entitled “Underwriting”.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Bank complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, June 20, 2017, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Tuesday, June 20, 2017. Our H Shares will be traded in board lots of 1,000 H Shares each and the stock code of our H Shares will be 1551.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between our Bank (on behalf of ourselves and the Selling Shareholders) and the Joint Representatives (for themselves and on behalf of the Underwriters) on or before Monday, June 19, 2017, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Bank in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section entitled "How to Apply for Hong Kong Offer Shares." In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on Monday, June 19, 2017 but will only become valid certificates of title at 8:00 a.m. on Tuesday, June 20, 2017 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section entitled "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement—Grounds for Termination" has not been exercised.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Bank, the Joint Representatives, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Representatives may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Bank and/or any of its subsidiaries;
- a Director or chief executive officer of the Bank and/or any of its subsidiaries;

- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Bank or will become a connected person of the Bank immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, June 8, 2017 to 12:00 noon on Tuesday, June 13, 2017 from:

(i) any of the following offices of the Hong Kong Underwriters:

Hong Kong Underwriters	Address
China International Capital Corporation Hong Kong Securities Limited	29/F, One International Finance Center 1 Harbor View Street Central Hong Kong
China Merchants Securities (HK) Co., Limited	48/F, One Exchange Square Central Hong Kong
ABCI Securities Company Limited	11/F, Agricultural Bank of China Tower 50 Connaught Road Central Central Hong Kong
CCB International Capital Limited	12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
AMTD Asset Management Limited	Suite 1308 13/F AIA Central 1 Connaught Road Central Hong Kong
BOCI Asia Limited	26/F, Bank of China Tower 1 Garden Road Central, Hong Kong
CMB International Capital Limited	Units 1803-4, 18/F, Bank of America Tower 12 Harcourt Road Central, Hong Kong
GF Securities (Hong Kong) Brokerage Limited	29-30/F, Li Po Chun Chambers 189, Des Voeux Road Central Hong Kong

(ii) any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	Branch	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Connaught Road Central Branch	13-14 Connaught Road Central
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing
Kowloon	Jordan Road Branch	1/F, Sino Cheer Plaza, 23-29 Jordan Road
	Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon
	194 Cheung Sha Wan Road Branch	194-196 Cheung Sha Wan Road, Sham Shui Po, Kowloon
	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
New Territories	Kwai Chung Plaza Branch	A18-20, G/F Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung
	Shatin Branch	Shop 20, Level 1, Lucky Plaza, 1-15 Wang Pok Street, Sha Tin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, June 8, 2017 until 12:00 noon on Tuesday, June 13, 2017 from the Depository Counter of **HKSCC** at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong, or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED—GUANGZHOU RURAL COMMERCIAL BANK PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Thursday, June 8, 2017 – 9:00 a.m. to 5:00 p.m.
- Friday, June 9, 2017 – 9:00 a.m. to 5:00 p.m.
- Saturday, June 10, 2017 – 9:00 a.m. to 1:00 p.m.
- Monday, June 12, 2017 – 9:00 a.m. to 5:00 p.m.
- Tuesday, June 13, 2017 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, June 13, 2017, the last application day or such later time as described in "—10. Effect of Bad Weather on the Opening of the Application Lists."

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Bank and/or the Joint Representatives (or its agents or nominees), as agents of the Bank, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Bank, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Bank, our H Share Registrar, the receiving bank, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Bank, the Joint Representatives and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Bank to place your name(s) or the name of the HKSCC Nominees on the Bank's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Bank and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "Personal Collection" section in this prospectus to collect the H Share certificate(s) and/or refund check(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Bank and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** service by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "—2. Who can apply" may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Bank. If you apply through the designated website, you authorize the **White Form eIPO** service to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, June 8, 2017 until 11:30 a.m. on Tuesday, June 13, 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, June 13, 2017 or such later time under the "—10. Effects of Bad Weather on the Opening of the Application Lists".

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Bank and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2.00 for each "GUANGZHOU RURAL COMMERCIAL BANK CO., LTD." **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Sources of Dong Jiang—Hong Kong Forest" project initiated by Friends of Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place, Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Bank, the Joint Representatives and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Bank, the Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Bank to place HKSCC Nominees' name on the Bank's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Bank, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Bank, our H Share Registrar, the receiving bank, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Bank agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Bank's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Bank, for itself and for the benefit of each Shareholder (and so that the Bank will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong;
- agree with the Bank, for itself and for the benefit of each Shareholder and each director, supervisor, manager and other senior officer of the Bank (and so that the Bank will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder and each director, supervisor, manager and other senior officer of the Bank, with each CCASS Participant giving **electronic application instructions**):
  (a) to refer all differences and claims arising from the Articles of Association of the Bank or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Bank to arbitration in accordance with Articles of Association;
  (b) that any award made in such arbitration shall be final and conclusive; and
  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agree with the Bank (for the Bank itself and for the benefit of each Shareholder) that H Shares in the Bank are freely transferable by their holders;
- authorize the Bank to enter into a contract on its behalf with each director and officer of the Bank whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association;
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Bank or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by

debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Thursday, June 8, 2017 – 9:00 a.m. to 8:30 p.m.[(1)]
- Friday, June 9, 2017 – 8:00 a.m. to 8:30 p.m.[(1)]
- Monday, June 12, 2017 – 8:00 a.m. to 8:30 p.m.[(1)]
- Tuesday, June 13, 2017 – 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, June 8, 2017 until 12:00 noon on Tuesday, June 13, 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, June 13, 2017, the last application day or such later time as described in "—10. Effect of Bad Weather on the Opening of the Application Lists."

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Bank and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic**

application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Bank, the H Share Registrar, the receiving bank, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Bank, the Directors, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to "CCASS" Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, June 13, 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering—Pricing of the Global Offering."

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, June 13, 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, June 13, 2017 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable," an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Bank expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, June 19, 2017 in South China Morning Post (in English), Hong Kong Economic Times (in Chinese) and on the Bank's website at **www.grcbank.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.com**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Bank's website at **www.grcbank.com** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Monday, June 19, 2017;
- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, June 19, 2017 to 12:00 midnight on Sunday, June 25, 2017;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, June 19, 2017 to Thursday, June 22, 2017;
- in the special allocation results booklets which will be available for inspection during opening hours on Monday, June 19, 2017, Tuesday, June 20, 2017 and Wednesday, June 21, 2017 at all the receiving bank designated branches.

If the Bank accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Bank.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section

40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Bank or its agents exercise their discretion to reject your application:

The Bank, the Joint Representatives, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Bank of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

- the Bank or the Joint Representatives believe(s) that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering—Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, June 19, 2017.

14. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, expect personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and
- refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund checks and H Share certificates are expected to be posted on or before

Monday, June 19, 2017. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Tuesday, June 20, 2017 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund check(s) and/or H Share certificate(s) from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, June 19, 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund check(s) and/or H Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, June 19, 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Monday, June 19, 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, June 19, 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

  For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

  The Bank will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of Results" above. You should check the announcement published by the Bank and report any discrepancies to HKSCC before 5:00 p.m. on Monday, June 19, 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Waichai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, June 19, 2017, or such other date as notified by the Bank in the newspapers as the date of dispatch/ collection of H Share certificates/ e-Refund payment instructions/refund checks.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, June 19, 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, June 19, 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Bank expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Bank will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Monday, June 19, 2017. You should check the announcement published by the Bank and report any discrepancies to HKSCC before 5:00 p.m. on Monday, June 19, 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, June 19, 2017. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, June 19, 2017.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the Company's Reporting Accountants, Ernst & Young, Certificate Public Accountants, Hong Kong.

8 June 2017

The Directors
Guangzhou Rural Commercial Bank Co., Ltd.
China International Capital Corporation Hong Kong Securities Limited
China Merchants Securities (HK) Co., Limited
CCB International Capital Limited
ABCI Capital Limited

Dear Sirs,

We set out below our report on the financial information of Guangzhou Rural Commercial Bank Co., Ltd (the "Bank") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 December 2014, 2015 and 2016 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Bank as at 31 December 2014, 2015 and 2016, together with the notes thereto (the "Financial Information"), prepared on the basis of presentation set out in note 2.1 of section II below, for inclusion in the prospectus of the Bank dated 8 June 2017 (the "Prospectus") in connection with the listing of the shares of the Bank on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

As at the end of the Relevant Periods, the Bank has direct and indirect interests in the subsidiaries as set out in note 1 below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group have been prepared in accordance with the Accounting Standards for Business Enterprises of China ("CAS") issued by the China Ministry of Finance. Details of their statutory auditors during the Relevant Periods are set out in note 1 below.

For the purpose of this report, the directors of the Bank (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards (the "IFRSs"), which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for the Relevant Periods were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial

Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of section II below, the Financial Information gives a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2014, 2015 and 2016 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS
THE YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016
(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Year ended 31 December 2014	2015	2016
Interest income	5	23,359,958	24,087,266	23,385,518
Interest expense	5	(11,353,856)	(12,491,381)	(12,714,698)
NET INTEREST INCOME	5	12,006,102	11,595,885	10,670,820
Fee and commission income	6	1,889,159	3,047,454	3,192,636
Fee and commission expense	6	(146,871)	(157,843)	(216,248)
NET FEE AND COMMISSION INCOME	6	1,742,288	2,889,611	2,976,388
Net trading income	7	94,335	550,861	986,404
Net gains on financial investments	8	2,305	958,493	450,807
Other income, gains or losses	9	13,761	218,296	155,369
OPERATING INCOME		13,858,791	16,213,146	15,239,788
Operating expenses	10	(5,281,994)	(5,773,145)	(5,457,185)
Impairment losses on assets	13	(1,521,951)	(4,010,896)	(3,259,757)
PROFIT BEFORE TAX		7,054,846	6,429,105	6,522,846
Income tax expense	14	(1,573,451)	(1,428,765)	(1,416,500)
NET PROFIT		5,481,395	5,000,340	5,106,346
Attributable to:				
Equity holders of the parent company	15	5,374,690	5,001,016	5,025,586
Non-controlling interests		106,705	(676)	80,760
		5,481,395	5,000,340	5,106,346
EARNINGS PER SHARE (RMB yuan)				
— basic and diluted	17	0.66	0.61	0.62

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME THE YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016 (All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Year ended 31 December 2014	2015	2016
Net profit		5,481,395	5,000,340	5,106,346
Other comprehensive income (after tax, net):				
Other comprehensive income not to be reclassified to profit or loss in subsequent years:				
Remeasurement gains/(losses) on defined benefit plans	37	(33,341)	(18,033)	22,218
Other comprehensive income to be reclassified to profit or loss in subsequent years:				
Net gains/(losses) on available-for-sale financial assets	37	906,735	316,042	(1,492,939)
Subtotal of other comprehensive income/(losses) for the year		873,394	298,009	(1,470,721)
Total comprehensive income for the year		6,354,789	5,298,349	3,635,625
Total comprehensive income attributable to:				
Equity holders of the parent company		6,248,084	5,299,025	3,554,865
Non-controlling interests		106,705	(676)	80,760
		6,354,789	5,298,349	3,635,625

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2014, 2015 AND 2016
(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	31 December 2014	2015	2016
ASSETS				
Cash and balances with central bank	18	78,636,081	82,150,998	83,022,942
Deposits with banks and other financial institutions	19	32,226,367	49,481,651	18,380,847
Placements with banks and other financial institutions	20	10,940,000	1,687,468	3,910,819
Financial assets at fair value through profit or loss	21	1,469,756	51,810,457	35,980,378
Reverse repurchase agreements	22	60,960,963	34,176,657	79,963,092
Loans and advances to customers	23	180,720,304	216,779,764	237,934,771
Financial investments	24	94,727,693	137,693,920	190,072,917
Property and equipment	26	2,227,601	2,097,533	2,025,349
Deferred income tax assets	27	1,297,710	2,001,354	3,273,111
Other assets	28	3,401,144	4,927,398	6,386,889
TOTAL ASSETS		466,607,619	582,807,200	660,951,115
LIABILITIES				
Due to central bank		599,998	1,006,000	537,000
Deposits from banks and other financial institutions	29	42,016,969	104,063,369	33,580,932
Placements from banks and other financial institutions	30	7,000,000	1,000,000	1,798,321
Repurchase agreements	31	8,642,669	11,405,927	48,597,796
Due to customers	32	354,438,557	391,061,880	423,742,038
Income tax payable		327,336	1,077,421	1,218,049
Debt securities issued	33	12,522,466	21,676,869	92,295,376
Deferred income tax liabilities	27	593	—	—
Other liabilities	34	8,472,263	15,819,604	21,341,900
TOTAL LIABILITIES		434,020,851	547,111,070	623,111,412
EQUITY				
Equity attributable to equity holders of the parent company				
Share capital	35	8,153,419	8,153,419	8,153,419
Reserves	36	12,661,345	14,843,155	15,380,377
Retained profits	36	9,845,842	10,781,372	12,311,444
		30,660,606	33,777,946	35,845,240
Non-controlling interests		1,926,162	1,918,184	1,994,463
TOTAL EQUITY		32,586,768	35,696,130	37,839,703
TOTAL EQUITY AND LIABILITIES		466,607,619	582,807,200	660,951,115

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THE YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016
(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to equity holders of the parent company										
		Reserves									
	Issued share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Remeasurement gains/(losses) on defined benefit plans	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance at 1 January 2014	8,153,419	4,416,815	1,643,169	4,135,289	(443,666)	62,973	9,814,580	8,304,270	26,272,269	1,493,957	27,766,226
Profit for the year	—	—	—	—	—	—	—	5,374,690	5,374,690	106,705	5,481,395
Other comprehensive income											
— Change in fair value of available-for-sale investments, net of tax	—	—	—	—	906,735	—	906,735	—	906,735	—	906,735
— Remeasurement losses on defined benefit plans	—	—	—	—	—	(33,341)	(33,341)	—	(33,341)	—	(33,341)
Total comprehensive income	—	—	—	—	906,735	(33,341)	873,394	5,374,690	6,248,084	106,705	6,354,789
Capital contributed by non-controlling shareholders	—	—	—	—	—	—	—	—	—	325,500	325,500
Shareholders' donation (note 34(c))	—	178,608	—	—	—	—	178,608	—	178,608	—	178,608
Appropriation to surplus reserve (i)	—	—	539,297	—	—	—	539,297	(539,297)	—	—	—
Appropriation to general reserve (ii)	—	—	—	1,255,466	—	—	1,255,466	(1,255,466)	—	—	—
Dividends declared and paid (note 16)	—	—	—	—	—	—	—	(2,038,355)	(2,038,355)	—	(2,038,355)
Balance at 31 December 2014	8,153,419	4,595,423	2,182,466	5,390,755	463,069	29,632	12,661,345	9,845,842	30,660,606	1,926,162	32,586,768

(i) Includes the appropriation made by subsidiaries in the amount of RMB9,496 thousand.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB42,497 thousand.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—CONTINUED
THE YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016
(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to equity holders of the parent company										
		Reserves									
	Issued share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Remeasurement gains/(losses) on defined benefit plans	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance at 1 January 2015	8,153,419	4,595,423	2,182,466	5,390,755	463,069	29,632	12,661,345	9,845,842	30,660,606	1,926,162	32,586,768
Profit for the year	—	—	—	—	—	—	—	5,001,016	5,001,016	(676)	5,000,340
Other comprehensive income											
— Change in fair value of available-for-sale investments, net of tax	—	—	—	—	316,042	—	316,042	—	316,042	—	316,042
— Remeasurement losses on defined benefit plans	—	—	—	—	—	(18,033)	(18,033)	—	(18,033)	—	(18,033)
Total comprehensive income	—	—	—	—	316,042	(18,033)	298,009	5,001,016	5,299,025	(676)	5,298,349
Capital contributed by non-controlling shareholders	—	—	—	—	—	—	—	—	—	14,780	14,780
Shareholders' donation (note 34(c))	—	101,273	—	—	—	—	101,273	—	101,273	—	101,273
Appropriation to surplus reserve (i)	—	—	507,628	—	—	—	507,628	(507,628)	—	—	—
Appropriation to general reserve (ii)	—	—	—	1,274,900	—	—	1,274,900	(1,274,900)	—	—	—
Dividends declared and paid (note 16)	—	—	—	—	—	—	—	(2,282,958)	(2,282,958)	(22,082)	(2,305,040)
Balance at 31 December 2015	8,153,419	4,696,696	2,690,094	6,665,655	779,111	11,599	14,843,155	10,781,372	33,777,946	1,918,184	35,696,130

(i) Includes the appropriation made by subsidiaries in the amount of RMB8,621 thousand.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB52,676 thousand.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—CONTINUED
THE YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016
(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to equity holders of the parent company										
		Reserves									
	Issued share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Remeasurement gains on defined benefit plans	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	8,153,419	4,696,696	2,690,094	6,665,655	779,111	11,599	14,843,155	10,781,372	33,777,946	1,918,184	35,696,130
Profit for the year	—	—	—	—	—	—	—	5,025,586	5,025,586	80,760	5,106,346
Other comprehensive income											
— Change in fair value of available-for-sale investments, net of tax	—	—	—	—	(1,492,939)	—	(1,492,939)	—	(1,492,939)	—	(1,492,939)
— Remeasurement gains on defined benefit plans	—	—	—	—	—	22,218	22,218	—	22,218	—	22,218
Total comprehensive income	—	—	—	—	(1,492,939)	22,218	(1,470,721)	5,025,586	3,554,865	80,760	3,635,625
Capital contributed by non-controlling shareholders	—	(2,293)	—	—	—	—	(2,293)	—	(2,293)	30,597	28,304
Shareholders' donation (note 33(c))	—	145,406	—	—	—	—	145,406	—	145,406	—	145,406
Appropriation to surplus reserve (i)	—	—	510,052	—	—	—	510,052	(510,052)	—	—	—
Appropriation to general reserve (ii)	—	—	—	1,354,778	—	—	1,354,778	(1,354,778)	—	—	—
Dividends declared and paid (note 16)	—	—	—	—	—	—	—	(1,630,684)	(1,630,684)	(35,078)	(1,665,762)
Balance at 31 December 2016	8,153,419	4,839,809	3,200,146	8,020,433	(713,828)	33,817	15,380,377	12,311,444	35,845,240	1,994,463	37,839,703

(i) Includes the appropriation made by subsidiaries in the amount of RMB25,624 thousand.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB164,778 thousand.

CONSOLIDATED STATEMENTS OF CASH FLOWS
THE YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016
(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Year ended 31 December 2014	2015	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		7,054,846	6,429,105	6,522,846
Adjustments for:				
Depreciation and amortization	10	470,795	505,977	512,785
Depreciation of investment properties		21,091	20,808	22,083
Net trading income	7	(94,335)	(550,861)	(986,404)
Interest income on financial investments		(6,075,782)	(5,987,710)	(7,189,419)
Impairments losses on assets	13	1,521,951	4,010,896	3,259,757
Unrealized foreign exchange losses/(gains)		(86,518)	(19,258)	13,482
Interest expense on debt securities		317,417	698,741	2,361,432
Accreted interest on impaired loans	5	(72,881)	(151,481)	(137,240)
Net gains on disposal of available-for-sale financial assets	8	(858)	(859,425)	(449,023)
Dividend income from available-for-sale financial assets	8	(1,447)	(1,745)	(1,784)
Gains on disposal of receivables	8	—	(97,323)	—
Net (gains)/losses on disposal of property and equipment	9	(1,232)	43	(578)
		3,053,047	3,997,767	3,927,937
Net decrease/(increase) in operating assets:				
Balances with central bank		(8,403,940)	9,213,663	(6,140,009)
Deposits with banks and other financial institutions		(4,618,178)	(7,932,932)	3,868,156
Placements with banks and other financial institutions		—	(455,000)	(2,273,822)
Reverse repurchase agreements		6,606,992	(2,220,997)	(3,981,050)
Loans and advances to customers		(25,381,059)	(39,420,268)	(24,652,780)
Other assets		(188,632)	(393,429)	(430,336)
		(31,984,817)	(41,208,963)	(33,609,841)
Net increase/(decrease) in operating liabilities:				
Due to central bank		94,998	406,002	(469,000)
Deposits from banks and other financial institutions		15,244,925	62,046,400	(70,482,437)
Placements from banks and other financial institutions		6,945,983	(6,000,000)	788,194
Repurchase agreements		8,327,758	2,763,258	37,191,869
Due to customers		41,071,346	36,457,562	32,562,299
Other liabilities		1,908,420	7,349,761	5,524,925
		73,593,430	103,022,983	5,115,850
Net cash flows from/(used in) operating activities before tax		44,661,660	65,811,787	(24,566,054)
Income tax paid		(2,251,000)	(1,488,264)	(2,049,982)
Net cash flows from/(used in) operating activities		42,410,660	64,323,523	(26,616,036)

CONSOLIDATED STATEMENTS OF CASH FLOWS—CONTINUED
THE YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016
(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Year ended 31 December		
		2014	2015	2016
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment and other long-term assets		(390,769)	(417,433)	(396,690)
Proceeds from disposal of property and equipment		1,632	262	39,617
Cash paid for investments		(246,028,352)	(319,808,197)	(521,962,414)
Proceeds from sale and redemption of investments		251,680,264	231,033,462	480,159,509
Dividends received	8	1,447	1,745	1,784
Return on investments		5,437,417	5,473,687	7,718,563
Net cash flows from/ (used in) investing activities		10,701,639	(83,716,474)	(34,439,631)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contributed by non-controlling shareholders		325,500	14,780	28,304
Shareholders' donation	34(c)	50,417	80,819	156,529
Proceeds from issuance of debt securities		9,997,009	18,765,419	168,761,852
Repayment of debt securities issued		(988,418)	(9,681,240)	(98,900,677)
Interest paid on debt securities		(221,232)	(629,258)	(1,595,633)
Dividends paid on ordinary shares		(2,038,355)	(2,282,958)	(1,630,684)
Dividends paid on non-controlling shareholders		—	(22,082)	(35,078)
Net cash flows from financing activities		7,124,921	6,245,480	66,784,613
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		60,237,220	(13,147,471)	5,728,946
Cash and cash equivalents at beginning of the Relevant Periods		53,219,229	113,542,753	100,429,107
Effect of exchange rate changes on cash and cash equivalents		86,304	33,825	38,028
CASH AND CASH EQUIVALENTS AT END OF THE RELEVANT PERIODS	38	113,542,753	100,429,107	106,196,081
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES INCLUDE:				
Interest received		17,108,924	17,679,404	16,175,417
Interest paid		(9,603,444)	(9,834,885)	(10,163,278)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014, 2015 AND 2016
(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	31 December 2014	2015	2016
ASSETS				
Cash and balances with central bank	18	76,221,463	79,180,369	77,806,908
Deposits with banks and other financial institutions	19	30,482,732	42,656,613	11,249,032
Placements with banks and other financial institutions	20	10,940,000	1,632,468	2,605,819
Financial assets at fair value through profit or loss	21	1,469,756	51,810,457	35,980,378
Reverse repurchase agreements	22	60,960,963	34,176,657	79,963,092
Loans and advances to customers	23	169,608,206	195,180,252	209,357,044
Financial investments	24	94,727,693	137,333,420	188,291,904
Investments in subsidiaries	25	2,107,908	2,109,737	2,109,737
Property and equipment	26	2,055,315	1,887,920	1,805,159
Deferred income tax assets	27	1,232,186	1,835,764	2,992,207
Other assets	28	3,238,942	4,667,989	6,069,881
TOTAL ASSETS		453,045,164	552,471,646	618,231,161
LIABILITIES				
Deposits from banks and other financial institutions	29	46,015,395	104,749,996	35,732,916
Placements from banks and other financial institutions	30	7,000,000	1,000,000	1,798,321
Repurchase agreements	31	8,623,168	11,405,927	48,597,796
Due to customers	32	339,860,962	368,933,910	393,142,313
Income tax payable		264,804	1,003,436	1,070,965
Debt securities issued	33	12,522,466	21,676,869	92,295,376
Other liabilities	34	8,253,251	10,089,998	10,093,684
TOTAL LIABILITIES		422,540,046	518,860,136	582,731,371
EQUITY				
Equity attributable to equity holders of the parent company				
Share capital	35	8,153,419	8,153,419	8,153,419
Reserves	36	12,545,833	14,666,346	15,015,459
Retained profits		9,805,866	10,791,745	12,330,912
TOTAL EQUITY		30,505,118	33,611,510	35,499,790
TOTAL EQUITY AND LIABILITIES		453,045,164	552,471,646	618,231,161

II. NOTES TO FINANCIAL STATEMENTS

THE YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016
(All amounts expressed in thousands of RMB unless otherwise stated)

1. CORPORATE INFORMATION AND STRUCTURE

Guangzhou Rural Commercial Bank Co., Ltd. (the "Bank"), whose predecessor was established in 1952 and underwent a series of reforms in subsequent years. With the "Approval Regarding the Opening of Guangzhou Rural Commercial Bank Co., Ltd." (Yinjianfu No. [2009]484) issued by the China Banking Regulatory Commission (the "CBRC"), Guangzhou Rural Commercial Bank Co., Ltd. was incorporated on 9 December 2009.

The Bank obtained its finance permit No.B1048H244010001 from the CBRC and its business license of Unified Social Credit code No.914401017083429628 from the Administration for Industry and Commerce of Guangzhou Municipality. The legal representative is Wang Jikang and the registered office is located at No.1 Huaxia Road, Tianhe District, Guangzhou, the PRC.

The principal activities of the Bank comprise taking deposits from the general public(including domestic and foreign currency), granting short, medium and long-term loans(including domestic and foreign currency), domestic and international settlements, bills acceptance and discounting, providing agency services for issuing/redemption and underwriting of government securities, trading government and financial bonds, interbank placements(including domestic and foreign currency), bank cards (including debit cards and credit cards) business, providing agency services of payment collection and insurance agency service, providing safe locker service, foreign currency remittance, foreign currency exchange, foreign exchange purchases and sales against Renminbi ("RMB"), foreign credit investigations, advisory and attestation service, and other financial business activities approved by the CBRC.

The Bank and its subsidiaries are collectively referred to as the "Group". As at 31 December 2016, the Bank had a total of 25 subsidiaries, including 24 county banks and a financial leasing company, which are located in Guangdong, Shandong, Jiangsu, Hunan, Henan, Sichuan, Liaoning, Jiangxi and Beijing. The details of the Bank's subsidiaries as at 31 December 2016 are as follows.

Statutory financial statements of the subsidiaries of the Bank for the years ended 31 December 2014, 2015 and 2016 (if any) were prepared under China Accounting Standards ("CASs") and have been audited by Ernst & Young Huaming Certified Public Accountants LLP.

Please refer to the paragraph headed "Immediately before the Global Offering" in the section headed "History and development" in the Prospectus for the major changes to the structure of the Group during the years ended 31 December 2014, 2015 and 2016 (the "Relevant Periods").

1. CORPORATE INFORMATION AND STRUCTURE—continued

Name	Place of registration	Registered capital (in thousand) 2016-12-31	Percentage of equity interests held by the Bank 2016-12-31	Percentage of voting rights held by the Bank 2016-12-31	Principal activities
Laiwu Zhujiang County Bank	Laiwu, Shandong Province	60,000	51.00%	51.00%	Banking
Jiangsu Xuyi Zhujiang County Bank	Xuyi, Jiangsu Province	50,000	51.00%	51.00%	Banking
Jiangsu Qidong Zhujiang County Bank	Qidong, Jiangsu Province	100,000	51.00%	51.00%	Banking
Changning Zhujiang County Bank	Changning, Hunan Province	50,000	51.00%	51.00%	Banking
Laizhou Zhujiang County Bank	Laizhou, Shandong Province	80,000	51.00%	51.00%	Banking
Haiyang Zhujiang County Bank	Haiyang, Shandong Province	70,000	51.00%	51.00%	Banking
Huixian Zhujiang County Bank	Huixian, Henan Province	60,000	35.00%(i)	51.00%	Banking
Pengshan Zhujiang County Bank	Pengshan, Sichuan Province	50,000	35.00%(i)	51.00%	Banking
Xinjin Zhujiang County Bank	Xinjin, Sichuan Province	100,000	35.00%(i)	53.00%	Banking
Guanghan Zhujiang County Bank	Guanghan, Sichuan Province	100,000	35.00%(i)	51.00%	Banking
Dalian Baoshuiqu Zhujiang County Bank	Dalian Bonded Area, Liaoning Province	100,000	35.00%(i)	56.00%	Banking
Jizhou Zhujiang County Bank	Jian, Jiangxi Province	87,820	33.79%(i)	57.19%	Banking
Heshan Zhujiang County Bank	Heshan, Guangdong Province	150,000	34.00%(i)	71.00%	Banking
Beijing Mentougou Zhujiang County Bank	Mentougou District, Beijing	100,000	51.00%	51.00%	Banking
Xinyang Zhujiang County Bank	Xinyang, Henan Province	414,200	39.60%(i)	54.13%	Banking
Yantai Fushan Zhujiang County Bank	Yantai, Shandong Province	100,000	35.00%(i)	52.00%	Banking
Anyang Zhujiang County Bank	Anyang, Henan Province	60,000	35.00%(i)	51.00%	Banking
Qingdao Chengyang Zhujiang County Bank	Chengyang District, Qingdao, Shandong Province	100,000	35.00%(i)	51.00%	Banking
Suzhou Wuzhong Zhujiang County Bank	Wuzhong District, Suzhou, Jiangsu Province	150,000	51.00%	51.00%	Banking
Sanshui Zhujiang County Bank	Foshan, Guangdong Province	200,000	33.40%(ii)	50.50%	Banking
Zhongshan Dongfeng Zhujiang County Bank	Dongfeng, Guangdong Province	150,000	35.00%(ii)	35.00%	Banking
Xingning Zhujiang County Bank	Meizhou, Guangdong Province	50,000	34.00%(i)	100.00%	Banking
Shenzhen Pingshan Zhujiang County Bank	Shenzhen, Guangdong Province	300,000	35.00%(i)	83.00%	Banking
Dongguan Huangjiang Zhujiang County Bank	Dongguan, Guangdong Province	150,000	35.00%(i)	100.00%	Banking
Zhujiang Financial Leasing Co., Ltd.	Guangzhou, Guangdong Province	1,000,000	100.00%	100.00%	Financial leasing

(i) The Bank holds less than majority equity interests in these subsidiaries. In accordance with the agreements to act in concert entered into by the Bank and the non-controlling shareholders, the non-controlling shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, the management of the Bank believes that the Bank obtains controls over this subsidiaries. For the details of the act-in-concert arrangement, please refer to the section headed "History and Development" in this Prospectus.

(ii) The Bank holds less than majority equity interests in these subsidiaries. According to their respective articles of association, the appointment of board of directors are subject to approval by two-third majority votes. Through appointing or approving the appointment of the key management of these subsidiaries, including the chairman, vice president and directors of risk management and finance, the Bank has exposure to variable returns from its involvement in the relevant operations of these subsidiaries and the ability to affect the returns through the power over these subsidiaries. Management of the Bank believes that the Bank obtains controls over these subsidiaries.

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations promulgated by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting period commencing from 1 January 2016, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

These financial statements have been prepared on an accrual basis and under the historical cost convention except for financial assets/liabilities at fair value through profit or loss and available-for-sale financial assets that have been measured at fair value. If an asset is impaired, a provision for impairment losses of the asset is recognised in accordance with the relevant requirements. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries for the years ended 31 December 2014, 2015 and 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Bank. The financial statements of the subsidiaries are prepared for the same Relevant Periods as the Bank, using consistent accounting policies.

Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if and only if the Bank has:

(a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(b) Exposure, or rights, to variable returns from its involvement with the investee, and

(c) The ability to use its power over the investee to affect its returns.

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;

(b) Rights arising from other contractual arrangements; and

(c) The Group's voting rights and potential voting rights.

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the Relevant Periods are included in the statement of comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES—continued

Basis of consolidation—continued

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

(a) derecognises the assets (including goodwill) and liabilities of the subsidiary;

(b) derecognises the carrying amount of any non-controlling interest;

(c) derecognises the cumulative translation differences recorded in equity;

(d) recognises the fair value of the consideration received;

(e) recognises the fair value of any investment retained;

(f) recognises any resulting surplus or deficit in profit or loss; and

(g) reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained profits, as appropriate.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement, and within equity in the consolidated statement of financial position separately from the equity attributable to equity holders of the parent company. An acquisition of non-controlling interests is accounted for as an equity transaction.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs and IASs that have been issued but are not yet effective, in these financial statements:

		Effective for annual periods beginning on or after
IAS 7 Amendments	*Disclosure Initiative*	1 January 2017
IAS 12 Amendments	*Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
IFRS 2 Amendments	*Classification and Measurement of Share-based Payment*	1 January 2018
IFRS 9	*Financial Instruments*	1 January 2018
IFRS 15 and Amendments	*Revenue from Contracts with Customers*	1 January 2018
IFRS 16	*Leases*	1 January 2019
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*	1 January 2018
IAS 40 Amendments	*Transfers of Investment Property*	1 January 2018
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred
IFRS 4 Amendments	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*	1 January 2018
Annual Improvements 2014-2016 Cycle:		
IFRS 12 Amendments	*Disclosure of Interests in Other Entities*	1 January 2017
IFRS 1 Amendments	*First-time Adoption of International Financial Reporting Standards*	1 January 2018
IAS 28 Amendments	*Investments in Associates and Joint Ventures*	1 January 2018

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued

The Group is in the process of assessing the impact of these new standards and amendments on the consolidated financial statements of the Group and the Bank respectively.

IAS 7 Amendments Disclosure Initiative

The amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

IAS 12 Amendments Recognition of Deferred Tax Assets for Unrealised Losses

The amendments to IAS 12 provide specific guidance to clarify the requirements on recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.

IFRS 2 Amendments Classification and Measurement of Share-based Payment

The amendments to IFRS 2 address the accounting for cash-settled share-based payments and equity-settled awards that include a "net settlement" feature in respect of withholding taxes. The amendment clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

Key requirements of IFRS 9 that are relevant to the Group are:

(i) All recognised financial assets that are within the scope of IAS 39 are subsequently measured at amortised cost or fair value under IFRS 9. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods and their fair value changes are recognised in profit or loss. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued

IFRS 9 Financial Instruments—continued

income, with only dividend income generally recognised in profit or loss. All of the above represent new requirements for classification and measurement for financial assets under IFRS 9 that will change the way the Group classifies and measures its financial assets under 'financial assets at fair value through profit or loss', 'held-to-maturity investments', 'loans and receivables' and 'available-for-sale financial assets' under the existing IAS 39.

(ii) In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an equity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to occur before credit losses are recognised.

(iii) The new general hedge accounting requirements retain the types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that quality for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an equity's risk management activities have also been introduced.

The Group is analyzing its business models, loans and other financial instruments' contract terms and changes to its existing credit exposures to assess the potential impact on its financial statements resulting from the adoption of IFRS 9. Given the nature of the Group's operations, it is expected to have an impact on the classification of financial instruments as well as the calculation, amount and timing of its allowances for impairment losses for financial assets. Implementation of IFRS 9 will also have an impact on the risk management organization, process and key functions, budgeting and performance review, as well as the IT systems. The Bank has started to carry out an assessment of the need for any system modification related to the expected credit loss model, update the impairment policies and procedures in relation to financial instruments as well as launch relevant staff training.

The Group has not completed its assessment of the full impact of adopting IFRS 9 and therefore its possible impact on the Group's operating results and financial position has not yet been quantified.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRSs.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued

IFRS 15 Revenue from Contracts with Customers—continued

The Group assesses that adopting IFRS 15 would not have a material impact to the Group's financial information.

IFRS 16 Leases

For the lessee, under IAS 17 lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, unless the underlying asset is of low value, in the statement of financial position.

Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability in the statement of comprehensive income, and also classifies cash repayments of the lease liability into principal portion and an interest portion for presentation in the statement of cash flows.

As at 31 December 2016, the Group had non-cancellable operating lease commitments of RMB1.41 billion, see note 41(b). However, the Group is in the process of assessing to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The directors of the Bank do not expect the adoption of IFRS 16 as compared with the current accounting policy will result in significant impact on the Group's results but it is expected that certain portion of these commitments will be required to be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities under IFRS16.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group expects that, as a lessor, there will be no significant impact on the financial information.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.

IAS 40 Amendments Transfers of Investment Property

The amendments to IAS 40 *Transfers of Investment Property* clarify the requirements on transfers to, or from, investment property.

IFRS 10 and IAS 28 Amendments Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued

IFRS 4 Amendments

The amendments change the existing IFRS 4 *Insurance Contracts* to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 *Financial Instruments* before the IASB's new insurance contracts standard (referred to as IFRS 17 *Insurance Contracts*) becomes effective.

Annual Improvements 2014-2016 Cycle:

IFRS 12 Amendments Disclosure of Interests in Other Entities

The amendments to IFRS 12 *Disclosure of Interests in Other Entities* clarify the scope of IFRS 12 by specifying the disclosure requirements in the Standard.

IFRS 1 Amendments First-time Adoption of International Financial Reporting Standards

The amendments to IFRS 1 delete the short-term exemptions which have served their intended purpose because the relief provided in those exemptions was relevant to reporting periods that had passed.

IAS 28 Amendments Investments in Associates and Joint Ventures

The amendments to IAS 28 clarify that the option for a venture capital organization or other qualifying entity (such as a mutual fund, unit trust or similar entity) to measure investments in associates and joint ventures at fair value through profit or loss (rather than by applying the equity method of accounting) is made on an investment-by-investment basis upon initial recognition of each investment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Foreign currency translation

The consolidated financial statements of the Group are presented in RMB, being the functional and presentation currency of the Bank and its subsidiaries.

Foreign currency transactions are initially recorded at the functional currency using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in the income statement.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined.

(2) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(2) Financial instruments—continued

Initial recognition of financial instruments

At initial recognition, financial assets are classified into four categories: financial assets at fair value through profit or loss, held-to-maturity financial investments, loans and receivables and available-for-sale financial assets.

At initial recognition, financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities.

A financial asset or financial liability is measured initially at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Measurement of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarized below:

- Level 1 financial instruments—Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available at the end of each Relevant Periods.
- Level 2 financial instruments—Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Group will classify the instruments as Level 3.
- Level 3 financial instruments—Those that include one or more unobservable inputs that are significant to the measurement as whole.

The Group periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Group's financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, the Group applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralized financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(2) Financial instruments—continued

Measurement of fair value—continued

The Group estimates the value of its own credit from market observable data, such as secondary prices for its traded debt and the credit spread on credit default swaps and traded debts on itself. Details of this are further explained in Note 47.

The Group evaluates the leveling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary based on the facts at the end of the reporting period.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities held for trading and financial assets or financial liabilities designated as at fair value through profit or loss.

Financial assets or financial liabilities held for trading

A financial asset or financial liability is classified as held for trading if:

(i) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

(ii) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative.

Financial assets held for trading mainly include bond investments.

Financial assets or financial liabilities held for trading are measured as at fair value after initial recognition. Realized or unrealized income or expenses are recognised in the income statement.

Financial assets or financial liabilities designated as at fair value through profit or loss

A financial instrument may be designated as a financial asset or financial liability at fair value through profit or loss upon initial recognition, if it meets any of the criteria set out below:

(i) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or financial liability or from recognizing the gains and losses on them on different bases;

(ii) It applies to a group of financial assets, financial liabilities or both which is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and where information about that group of financial instruments is provided internally on that basis to key management personnel; or

(iii) The financial instrument contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(2) Financial instruments—continued

Financial assets or financial liabilities designated as at fair value through profit or loss—continued

In the case of an equity investment, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it cannot be designated as a financial asset at fair value through profit or loss.

These financial assets and financial liabilities are measured at fair value after initial recognition. Realized and unrealized income or expenses are recognised in the income statement.

Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity and which the Group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment. Gains and losses are recognised in the income statement when the held-to-maturity financial investments are derecognised or impaired, as well as through the amortization process. All the held-to-maturity financial investments are bond investments.

The Group shall reclassify any remaining held-to-maturity investments as available for sale and shall not classify any financial assets as held to maturity during the current financial year or during the two preceding financial years, if the Group has sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) except for sale or reclassification that:

(i) is so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

(ii) occurs after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or

(iii) is attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group has no intention of trading the assets immediately or in the near term. After initial measurement, such assets are subsequently carried at amortized cost using the effective interest rate method, less any allowance for impairment losses. Gains and losses are recognised in the income statement when such assets are derecognised or impaired, as well as through the amortisation process. Loans and receivables mainly include loans and advances to customers, receivables and discounted bills.

Discounted bills are granted by the Group to its customers based on the bank acceptance held which has not matured. Discounted bills are carried at face value less unrealised interest income and the interest income of the discounted bills is recognised using the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(2) Financial instruments—continued

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are designated as such or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Premiums and discounts on available-for-sale financial assets are amortisation using the effective interest rate method and are taken to the income statement as interest income. Changes in fair value of available-for-sale financial assets are recognised as a separate component of other comprehensive income until the financial asset is derecognised or determined to be impaired at which time the cumulative gains or losses previously recorded in other comprehensive income are transferred to the income statement. Dividend and interest income on available-for-sale financial assets are recorded in the income statement.

In the case of an equity investment classified as available for sale, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it will be measured at cost less any impairment loss.

Other financial liabilities

Other financial liabilities are carried at amortized cost using the effective interest rate method, and the profit or loss arising from derecognizing or amortizing are charged to the income statement.

(3) Impairment of financial assets

An assessment on the carrying amounts of financial assets is made at the end of each Relevant Period. Impairment is recognised if there is objective evidence of impairment of financial assets, i.e., one or more events that occur after the initial recognition of those assets have an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate and shall include the value of any relevant collateral. The original effective interest rate is the rate used to determine the values of financial assets at initial recognition. With respect to floating-rate loans, receivables and held-to-maturity investments, the discount rate could be the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an impairment provision account and the amount of the loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(3) Impairment of financial assets—continued

Financial assets carried at amortized cost—continued

an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Future cash flows of a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect the period on which the historical loss experience is based and to eliminate the impact of historical conditions that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the assets does not exceed its amortized cost at the reversal date.

When an item of loans and receivables is uncollectible, it is written off against the related allowance for impairment losses. Such loans and receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on the financial asset, the amount of impairment loss, measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, is recognised in the income statement. In the case of an equity investment, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, the amount of impairment loss is recognised in the income statement. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If there is objective evidence that the financial asset is impaired, the cumulative loss, measured as the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(3) Impairment of financial assets—continued

Available-for-sale financial assets—continued

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The Group considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. More significantly the fair value declines in relation to the cost, the less the volatility moves, and the longer the decline lasts or the more obvious the continuity of the magnitude of the decline is, the more likely the equity investment is impaired. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised as other comprehensive income.

In the case of debt instruments classified as available for sale, if, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impaired loss is reversed through the income statement.

(4) Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset; or has retained its rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Sales of assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(4) Derecognition of financial assets and liabilities—continued

Sales of assets on condition of repurchase—continued

same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in the case of a transfer or selling such financial asset), the Group will derecognise the financial asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, canceled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(5) Trade date accounting

All regular way purchases and sales of financial assets are recognised at the trade date, which is the date that the Group commits to purchase or sell the assets. A regular way purchase or sale is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(6) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, the Group has a legally enforceable right to offset such amounts with the same counterparty and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(7) Reverse repurchase and repurchase transactions

Assets sold under agreements to repurchase at a specified future date ("repos") are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a "repurchase agreement", reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date ("reverse repos") are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a "reverse repurchase agreement". The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(8) Property and equipment

Property and equipment, other than construction in progress are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement.

Construction in progress comprises the actual costs of construction. These costs comprise various direct construction costs during the period of construction and other related expenditures. When an asset under construction is ready for its intended use, it is reclassified to fixed assets, intangible assets or other assets, and depreciation or amortization is provided for according to corresponding policies. Construction in progress is not depreciated until the construction is completed and the asset is ready for its intended use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value rate and annual depreciation rate of each item of property and equipment are as follows:

	Estimated useful life	Estimated residual value rate	Annual depreciation rate
Properties and buildings	10 to 20 years	5%	4.75%-9.50%
Office equipment	4 to 5 years	5%	19.00%-23.75%
Motor vehicles	3 to 5 years	5%	19.00%-31.67%
Leasehold improvements	Over the shorter of the useful economic lives and remaining lease terms		

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised .

(9) Land use rights

Land use rights are recognised at cost, which is the consideration paid. The rights are amortized using the straight-line basis over the period of the leases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(10) Repossessed assets

Repossessed assets are initially recognised at fair value. The difference between the fair value and the sum of loan principal, interest receivable and impairment provision is taken into the income statement. At the end of each Relevant Periods, the repossessed assets are measured at the lower of their carrying value and net realisable value. Provision should be accrued and recognised in the income statement if the carrying amount is higher than the net realisable value.

(11) Intangible assets

The Group's intangible assets mainly comprise computer software.

Intangible assets are initially measured at cost and recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost can be reliably measured. Otherwise they are recognised in the income statement in the period in which they occur.

Upon an intangible asset becoming ready for its intended use, the costs less estimated residual value and any impairment losses are amortized over its estimated useful life on the straight-line basis.

The useful lives of the Group's intangible assets are from 2 years to 10 years. The amortization rates of the Group's intangible assets are between 10.00% and 50.00%.

The useful life and the amortization method for intangible assets with finite useful lives are reviewed at the end of each reporting period. If the expected useful life of the asset or the amortization method differs significantly from previous assessments, the amortization period or amortization method is adjusted accordingly as change of accounting estimate.

(12) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. The investment properties of the Group mainly include leased buildings.

Investment property is recognised only when it is probable that economic benefits associated with the property will flow to the Group and the cost of the property can be reliably measured.

Investment properties are initially and subsequently measured using the cost method. Depreciation is calculated using the straight-line method.

	Estimated useful life	Estimated residual value rate	Annual depreciation rate
Properties and buildings	10 to 20 years	5%	4.75%-9.50%

(13) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(13) Business combination and goodwill—continued

For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either: (a) fair value; or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRSs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquire is remeasured to fair value as of the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

(14) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

(15) Asset impairment

Impairment losses on assets except for deferred income tax assets and financial assets are determined based on the following:

The Group assesses at the end of each Relevant Period whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(15) Asset impairment—continued

individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at the end of each Relevant Period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortization, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal, the depreciation/amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(16) Cash and cash equivalents

Cash and cash equivalents refer to short-term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash, unrestricted balances with the central bank, amounts due from banks and other financial institutions, reverse repurchase agreements and debt securities with original maturity of less than three months.

(17) Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the each of the Relevant Periods is significant, the Group will present them at their present value.

Statutory defined contribution plans

In accordance with the relevant laws and regulations, the employees of the Group participate in basic pension insurance and unemployment insurance schemes administered by the local government authorities. The Group calculates and contributes above insurance schemes to the local government agencies under the above pension and insurance schemes using applicable contribution bases and rates stipulated in the relevant local regulations in the period the employees providing their services to the Group. Contributions to these plans are recognised in the income statement as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(17) Employee benefits—continued

Retirement benefit annuity plan

In addition to the basic pension insurance scheme, employees and early retirees of the Group also participate in a defined contribution plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to the income statement when it incurs. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

Supplemental retirement benefits

The Group pays supplemental retirement benefits to the retirees, including supplemental pension payments and medical expense coverage. The liability related to the supplemental retirement benefit obligations as at each financial reporting date is calculated by the Group using the projected unit credit method and is recorded as a liability under "Employee benefit obligations" in the statement of financial position. The present value of the liability is determined by discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of supplemental retirement benefits are recognised in "Other comprehensive income" in the period when they occur. The gains or losses arising from amendments to supplemental retirement benefit obligations are recognised in the income statement in the period when they occur.

Early retirement benefits

According to the Group's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Group. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. The amounts of retirement benefit expense and present value of these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, retirement benefit growth rates and other factors. Gains and losses arising from the changes in assumptions and amendments to pension plans are recognised in the income statement as they occur.

(18) Fiduciary activities

Where the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The asset custody services of the Group refer to the business that the Group as trustee approved by regulatory authorities, signs custody agreements with clients and takes the responsibility of trustee in accordance with relevant laws and regulations. The assets under custody are recorded as off-balance sheet items as the Group merely fulfills the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

The Group grants the entrusted loans on behalf of the trustors, which are recorded off-balance sheet. The Group, as a trustee, grants such entrusted loans to borrowers under the direction of those

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(18) Fiduciary activities—continued

trustors who fund these loans. The Group has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The risk of loss is bore by those trustors. The Group charges a commission related to its activities in connection with entrusted loans which is recognised ratably over the period in which the service is provided.

(19) Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and expense

For all financial instruments measured at amortized cost and interest-generating financial instruments classified as available-for-sale financial assets, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded in profit or loss.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers at a specific time or during a certain period. For those services that are provided over a period of time, fee and commission income is accrued over that period. For other services, fee and commission income is recognised when the transactions are completed and the amount of the fee could be estimated reasonably.

Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

Net trading income

Net trading income arising from trading activities include gains and losses from changes in fair value for financial assets at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(20) Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in the income statement except that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

(i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

(i) Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each Relevant Period and reflect the corresponding tax effect.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(20) Income tax—continued

Deferred income tax—continued

The carrying amount of deferred income tax assets is reviewed at the end of each Relevant Period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(21) Leases

Leases which transfer substantially all the risks and rewards of ownership of the assets to the lessees are classified as finance leases. Leases where substantially all the rewards and risks of the assets remain with the lessor are accounted for as operating leases.

Operating lease—the Group as a lessee

Lease payments under an operating lease are recognised as an expense in the income statement on the straight-line basis over the lease term. Initial direct costs are charged to the income statement of the current period, and contingent rent is recognised in the income statement when incurred.

Operating lease—the Group as a lessor

Lease income is recognised in the income statement on the straight-line basis over the lease term. Material initial direct costs are capitalised as incurred, and amortised over the lease term on the same basis as the lease income. Other immaterial initial direct costs are included in the income statement of the current period. Contingent rent is recognised in the income statement when incurred.

Finance lease—the Group as a lessor

When the Group is a lessor under a finance lease, the present value of the aggregation of the minimum lease payment receivable from the lessee, unguaranteed residual value and initial direct costs is recognised as a receivable. The difference between the receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using an interest rate which reflects a constant rate of return.

(22) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(22) Related parties—continued

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

(23) Financial guarantee contracts

The Group issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation.

The Group initially measures all financial contracts at fair value, in other liabilities, being the premium received. This amount is recognised rateably over the period of the contract as fee and commission income. Subsequently, the liabilities are measured at the higher of the initial fair value less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to a financial guarantee is taken to the income statement.

(24) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(25) Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Group's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Group. Dividends for the Relevant Periods that are approved after the end of the Relevant Periods are disclosed as an event after the Relevant Periods.

(26) Structured entities

A structured entity is an entity that has been designed so that voting rights are not the dominant factor in deciding who controls the entity. Unconsolidated structured entities refer to equity in other entities which have no significant impact on the Group, including but not limited to equity instrument or debt instruments or any other involvements. The Group's unconsolidated structured entities mainly include off-balance sheet non-guaranteed wealth management products sponsored by the Group (Note 40) .

(27) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the Group receives the grants of monetary assets, the grants are recorded at the amount received or receivable. Where the Group receives the grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets. If the fair value cannot be measured reliably, the grants are recorded at the nominal amount of the non-monetary assets. When the grant relates to an expense item, where the grant is intended to compensate the expenses or costs to be incurred in the subsequent period, it is recognised as deferred income and is released to the income statement over the periods that the costs, which it is intended to compensate, are expensed; while where the grant is intended to compensate the incurred expenses or costs, the grant is recognised in the income statement in the current period. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments. Grants recorded at nominal amount shall be recognised in the income statement in the current period.

(28) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organization, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated as "others" segment if they share a majority of these criteria.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Relevant Periods that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

Designation of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the Group has the positive intention and ability to hold the investments to maturity. Accordingly, in evaluating whether a financial asset shall be classified as a held-to-maturity investment, significant management judgement is required. If the Group fails to correctly assess its intention and ability to hold the investments to maturity and the Group sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, the Group shall reclassify the whole held-to-maturity investment portfolio as available for sale.

Impairment losses of loans and advances and receivables

The Group determines periodically whether there is any objective evidence that impairment losses have occurred on loans and advances, amounts due from banks and other financial institutions and receivables. If any such evidence exists, the Group assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgement on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

Impairment of available-for-sale financial assets and held-to-maturity investments

In determining whether there is objective evidence indicating that available-for-sale financial assets and held-to-maturity investments were impaired, the Group will regularly assess if there has been a "significant or prolonged decline" in the fair value of the assets below its cost or carrying amount, or analyse the financial position and business prospects of the investment objects, including industry conditions, technology change, operating and financing cash flows and so on. Most of these factors rely on management's judgments and will have an impact on the impairment losses recognised.

Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES—continued

Fair value of financial instruments—continued

between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

Early retirement benefits and supplemental retirement benefits

The amount of employee benefit expenses and liabilities for early retirement and supplemental retirement benefits are dependent on the assumptions used in the calculation of such amounts by the Group. These assumptions include discount rates, pension and medical benefit growth rates and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's expenses, early retirement benefit obligations and supplemental retirement benefit obligations.

Judgement in assessing control over structured entities

Management assesses whether the Group controls a securitisation product, investment funds, off-balance sheet wealth management products, specific asset management plans, trust plans and asset-backed financing according to the control elements listed in Note 2.1 Basis of Preparation and Accounting Policies.

Securitisation products

The Group establishes some securitisation products. These products operate according to the established contracts. The Group obtains the variable returns through holding part of the bonds issued by the securitisation products. Meanwhile, the Group carries out the daily management over these securitisation products according to the loan service contracts. In normal conditions, other participants need to make the key decisions just when the assets break the contract. Therefore, the Group assesses whether it controls these securitisation products by considering whether it has the ability to affect the variable returns it received by its power to these securitisation products.

Investments funds, off-balance sheet wealth management products, specific asset management plans, trust plans and asset-backed financing

The Group manages or invests in a lot of investment funds, off-balance sheet wealth management products, specific asset management plans, trust plans and asset-backed financing. When assessing where it has controlled over these structured entities, the Group mainly evaluates its overall economic interests arising from these structured entities, including the earning by direct holding and the expected management fees, and the range of the decision right. The portion of the Group's overall economic interests is not significant. Meanwhile, according to relevant laws and regulations, for these structured entities, initiation, sales and management of the decision-maker are strictly limited in the investment contract. Therefore, the Group holds that as an agent, the Group is not the one who takes the main responsibility. So there is no need to take these structured entities into the consolidated financial statements.

5. NET INTEREST INCOME

	Year ended 31 December		
	2014	2015	2016
Interest income on:			
Loans and advances to customers	12,767,869	14,248,202	13,502,116
—Corporate loans and advances	8,419,124	8,903,712	8,039,818
—Personal loans	4,124,851	4,851,177	4,449,213
—Discounted bills	223,894	493,313	1,013,085
Reverse repurchase agreements	2,994,556	1,687,206	894,703
Available-for-sale financial assets	1,548,677	2,844,532	3,422,615
Held-to-maturity financial investments	351,358	544,233	615,346
Receivables	4,175,747	2,598,945	3,151,458
Due from central bank	964,283	951,525	928,875
Deposits and placements with banks and other financial institutions	557,468	1,212,623	870,405
Subtotal	23,359,958	24,087,266	23,385,518
Interest expense on:			
Due to customers	(8,072,426)	(9,556,583)	(7,806,359)
Repurchase agreements	(781,481)	(339,780)	(451,394)
Deposits and placements from banks and other financial institutions	(2,173,852)	(1,797,805)	(1,787,658)
Debt securities issued	(317,417)	(698,741)	(2,361,432)
Borrowings from other banks(i)	—	(82,545)	(284,233)
Others	(8,680)	(15,927)	(23,622)
Subtotal	(11,353,856)	(12,491,381)	(12,714,698)
Net interest income	12,006,102	11,595,885	10,670,820
Including: interest income on impaired loans	72,881	151,481	137,240
Interest income from:			
Listed debt instruments	1,900,035	3,173,915	3,140,976
Unlisted debt instruments	21,459,923	20,913,351	20,244,542
Total	23,359,958	24,087,266	23,385,518

(i) The interest expense for the long-term and short-term borrowings from other banks was incurred by Zhujiang Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank.

6. NET FEE AND COMMISSION INCOME

	Year ended 31 December		
	2014	2015	2016
Fee and commission income:			
Advisory and consultancy fees	480,082	1,018,580	1,312,498
Settlement and electronic channel business fees	140,020	138,451	126,078
Agency and custodian service fees	255,726	360,247	470,369
Wealth management product related fee income	419,830	816,992	320,429
Bank card fees	393,637	477,989	546,218
Financial lease business	—	57,179	191,197
Foreign exchange business	55,784	50,392	48,664
Others	144,080	127,624	177,183
Subtotal	1,889,159	3,047,454	3,192,636
Fee and commission expense:			
Settlement and electronic channel business fees	(44,469)	(45,297)	(50,151)
Bank card fees	(33,067)	(41,245)	(43,580)
Others	(69,335)	(71,301)	(122,517)
Subtotal	(146,871)	(157,843)	(216,248)
Net fee and commission income	1,742,288	2,889,611	2,976,388

7. NET TRADING INCOME

	Year ended 31 December		
	2014	2015	2016
Debt securities:			
Unrealised (losses)/gains from debt securities	45,368	96,921	(397,690)
Realised gains from debt securities	48,967	430,069	864,404
	94,335	526,990	466,714
Funds:			
Unrealised gains from money-market funds	—	12,605	(887)
Realised gains from money-market funds	—	11,266	520,577
	—	23,871	519,690
Total	94,335	550,861	986,404

The above amounts include gains and losses arising from the buying and selling of, interest income on, and changes in the fair value of financial assets at fair value through profit or loss.

8. NET GAINS ON FINANCIAL INVESTMENTS

	Year ended 31 December		
	2014	2015	2016
Dividend from available-for-sale equity investments	1,447	1,745	1,784
Gains on disposal of available-for-sale financial assets	858	859,425	449,023
Gains on disposal of receivables	—	97,323	—
Total	2,305	958,493	450,807

9. OTHER INCOME, GAINS OR LOSSES

	Year ended 31 December		
	2014	2015	2016
Net gains/(losses) on disposal of property and equipment	1,232	(43)	578
Net gains on sale of repossessed assets	—	31,276	33,445
Gains from foreign exchange, net	10,951	36,532	39,952
Net rental income	9,949	14,781	16,311
Government grants and subsidies	63,398	115,607	71,671
Donations	(102,999)	(1,561)	(1,272)
Others	31,230	21,704	(5,316)
Total	13,761	218,296	155,396

10. OPERATING EXPENSES

	Year ended 31 December		
	2014	2015	2016
Staff costs:			
Salaries, bonuses and allowances	1,763,222	1,800,114	1,858,413
Social insurance	87,334	103,667	114,358
Housing fund	217,321	248,950	225,601
Employee benefits	203,166	198,542	232,146
Labor union expenditure and education costs	76,296	60,798	61,418
Benefits for early retirement and supplemental retirement	103,218	78,231	131,006
Defined contribution plans	215,685	248,344	314,505
Others	6,278	7,887	6,347
Subtotal	2,672,520	2,746,533	2,943,794
General and administrative expenses	936,886	1,096,190	1,248,967
Business tax and surcharges	992,272	1,172,687	463,134
Depreciation and amortization	470,795	505,977	512,785
Rental expense	206,979	249,024	281,456
Auditors' remuneration	2,542	2,734	7,049
Total	5,281,994	5,773,145	5,457,185

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

		Year Ended 31 December 2014			
Name	Position	Fees	Salaries, bonus and benefits	Contributions to pension schemes	Total emoluments before tax
		(1)	(2)	(3)	(4)=(1)+(2)+(3)
Wang Jikang(i)	Chairman	—	2,680	234	2,914
Yi Xuefei(i)	Vice Chairman	—	427	89	516
Wu Huiqiang(i)	Director	—	345	85	430
Su Zhigang(i)	Director	47	—	—	47
Shao Jianming(i)	Director	58	—	—	58
Zheng Shuping(i)	Director	63	—	—	63
Zhang Yongming(i)	Director	54	—	—	54
Zhang Jin(i)	Director	48	—	—	48
Li Fangjin(i)	Director	48	—	—	48
Zhu Kelin(i)	Director	59	—	—	59
Zhu Chunxiu(i)	Director	5	—	—	5
Jiang Rihua(i)	Director	5	—	—	5
Wu Xieen(i)	Director	—	—	—	—
Fan Zhihua(i)	Director	—	—	—	—
Mao Yunshi(i)	Independent Director	226	—	—	226
Song Guanghui(i)	Independent Director	203	—	—	203
Zheng Jianbiao(i)	Independent Director	139	—	—	139
Liu Heng(i)	Independent Director	139	—	—	139
Liu Shaobo(i)	Independent Director	139	—	—	139
Zhu Weiping(i)	Independent Director	5	—	—	5
Liu Wensheng	Chairman of the Board of Supervisors	—	1,978	183	2,161
Lu Lian(ii)	Supervisor	64	—	—	64
Zhang Dalin(ii)	Supervisor	54	—	—	54
Huang Yong(ii)	Supervisor	54	—	—	54
He Limin(ii)	Supervisor	10	—	—	10
Chen Wu	Vice Chairman of the Board of Supervisors	—	1,850	177	2,027
Wu Haifeng	Supervisor	—	1,917	159	2,076
Weng Ziming(ii)	Supervisor	—	670	139	809
Sun Xiaoqin(ii)	External Supervisor	21	—	—	21
Chen Letian(ii)	External Supervisor	54	—	—	54
Shao Baohua(ii)	External Supervisor	54	—	—	54

(i) Wang Jikang, Yi Xuefei, Wu Huiqiang, Su Zhigang, Shao Jianming, Li Fangjin, Zheng Shuping, Zhu Kelin, Zhang Jin, Zhang Yongming, Mao Yunshi, Song Guanghui, Zheng Jianbiao, Liu Shaobo and Liu Heng have been elected as the members of the second session of the board of directors of the Bank, while Huang Zili, Zhu Chunxiu, Jiang Rihua, Wu Xieen, Fan Zhihua and Zhu Weiping ceased their appointment as directors of the Bank in the extraordinary shareholders' general meeting held on 27 May 2014. Huang Zili, Zhu Chunxiu, Jiang Rihua, Wu Xieen, Fan Zhihua and Zhu Weiping ceased to act as the directors of the Bank.

(ii) Huang Yong, Lu Lian, Zhang Dalin, Sun Xiaoqin, Chen Letian and Shao Baohua have been elected as the second session of the supervisory board members; He Limin and Weng Ziming ceased their appointment as the supervisory board members at the extraordinary shareholders' general meeting held on 27 May 2014. He Limin and Weng Ziming ceased to act as the supervisors of the Bank. Sun Xiaoqin resigned as the supervisor of the Bank on 19 September 2016.

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS—continued

		Year ended 31 December 2015			
Name	Position	Fees	Salaries, bonus and benefits	Contributions to pension schemes	Total emoluments before tax
		(1)	(2)	(3)	(4)=(1)+(2)+(3)
Wang Jikang	Chairman	—	900	230	1,130
Yi Xuefei	Vice Chairman	—	900	215	1,115
Wu Huiqiang	Director	—	810	209	1,019
Su Zhigang	Director	68	—	—	68
Shao Jianming	Director	68	—	—	68
Zheng Shuping	Director	74	—	—	74
Zhang Yongming	Director	80	—	—	80
Zhang Jin(i)	Director	46	—	—	46
Li Fangjin	Director	68	—	—	68
Zhu Kelin	Director	74	—	—	74
Mao Yunshi	Independent Director	341	—	—	341
Song Guanghui	Independent Director	533	—	—	533
Zheng Jianbiao	Independent Director	203	—	—	203
Liu Heng	Independent Director	193	—	—	193
Liu Shaobo	Independent Director	252	—	—	252
Liu Wensheng	Chairman of the Board of Supervisors	—	810	204	1,014
Lu Lian	Supervisor	86	—	—	86
Zhang Dalin	Supervisor	86	—	—	86
Huang Yong	Supervisor	80	—	—	80
Chen Wu	Vice Chairman of the Board of Supervisors	—	1,681	201	1,882
Wu Haifeng	Supervisor	—	1,934	187	2,121
Chen Letian	External Supervisor	101	—	—	101
Shao Baohua	External Supervisor	85	—	—	85

(i) Zhang Jin resigned as the Director of the Bank in the 15th meeting of the second board of directors held on 21 October 2015.

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS—continued

		Year ended 31 December 2016			
Name	Position	Fees	Salaries, bonus and benefits	Contributions to pension schemes	Total emoluments before tax
		(1)	(2)	(3)	(4)=(1)+(2)+(3)
Wang Jikang	Chairman	—	728	233	961
Yi Xuefei	Vice Chairman	—	728	233	961
Wu Huiqiang	Director	—	655	233	888
Su Zhigang	Director	63	—	—	63
Shao Jianming	Director	75	—	—	75
Zheng Shuping	Director	75	—	—	75
Zhang Yongming	Director	63	—	—	63
Li Fangjin	Director	63	—	—	63
Zhu Kelin	Director	75	—	—	75
Liu Guojie (i)	Director	—	—	—	—
Yung Hin Man Raymond (i)	Independent Director	—	—	—	—
Mao Yunshi (ii)	Independent Director	125	—	—	125
Song Guanghui	Independent Director	396	—	—	396
Zheng Jianbiao	Independent Director	184	—	—	184
Liu Heng	Independent Director	213	—	—	213
Liu Shaobo	Independent Director	208	—	—	208
Liu Wensheng	Chairman of the Board of Supervisors	—	655	233	888
Lu Lian	Supervisor	96	—	—	96
Zhang Dalin	Supervisor	93	—	—	93
Huang Yong	Supervisor	90	—	—	90
Xiao Shilian (ii)	Supervisor	—	388	74	462
He Heng (ii)	Supervisor	—	423	56	479
Chen Wu (ii)	Former Vice Chairman of the Board of Supervisors	—	1,051	152	1,203
Wu Haifeng (ii)	Former Supervisor	—	1,094	152	1,246
Chen Letian (ii)	External Supervisor	40	—	—	40
Shao Baohua	External Supervisor	87	—	—	87
Chen Dan (ii)	External Supervisor	27	—	—	27
Mao Yunshi (ii)	External Supervisor	19	—	—	19

(i) Yung Hin Man Raymond, and Liu Guojie have been elected as the board members of the Bank in the extraordinary shareholders' general meeting held on 7 September 2016 which has not been approved by the CBRC Guangdong office, and Mao Yunshi ceased to act as the Director of the Bank.

(ii) Mao Yunshi and Chen Dan have been elected as the supervisory board members and Chen Letian resigned as the supervisory board member at the extraordinary shareholders' general meeting held on 7 September 2016. Xiao Shilian and He Heng have been elected as the supervisory board members; Chen Wu and Wu Haifeng ceased their appointment as the supervisory board members at the Worker's Congress held on 22 August 2016.

During the years ended 31 December 2014, 2015 and 2016, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration.

During the years ended 31 December 2014, 2015 and 2016, no emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or were payable to such persons upon joining the Group or as compensation for loss of office.

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group are employees of the Bank. Their emoluments were determined based on the prevailing market rates of the region where the Bank operates. In the years ended 31 December 2014, 2015 and 2016, the five highest paid individuals of the Group comprised three directors, two supervisors and no directors nor supervisors, respectively, whose emoluments are disclosed in notes 11 and 44(c) to the financial statements. The emoluments of the five highest paid individuals for the Relevant Periods are as follows:

	Years ended 31 December		
	2014	2015	2016
Salaries, allowances and discretionary bonuses	11,566	8,912	7,897
Contributions to pension schemes	1,004	980	1,163
Total	12,570	9,892	9,060

The number of non-director and non-supervisor whose emoluments fell within the following bands is set out below:

	Number of employees		
	Year ended 31 December		
	2014	2015	2016
RMB500,001 to RMB1,000,000	—	—	—
RMB1,000,001 to RMB1,500,000	—	—	—
RMB1,500,001 to RMB2,000,000	—	1	5
RMB2,000,001 to RMB2,500,000	2	2	—
RMB2,500,001 to RMB3,000,000	—	—	—
Total	2	3	5

During the years ended 31 December 2014, 2015 and 2016, no emolument was paid by the Group to any of these non-director and non-supervisor as an inducement to join or upon joining the Group or as compensation for loss of office.

13. IMPAIRMENT LOSSES ON ASSETS

	Year ended 31 December		
	2014	2015	2016
Impairment losses on:			
Loans and advances to customers	1,521,951	3,644,058	3,693,685
Placements with banks and other financial institutions	—	—	(513,135)
Receivables	—	354,548	73,687
Held-to-maturity investments	—	3,800	(3,800)
Interest receivable	—	6,462	43,139
Other assets	—	2,028	(33,819)
Total	1,521,951	4,010,896	3,259,757

14. INCOME TAX EXPENSE

(a) Income tax

	Year ended 31 December		
	2014	2015	2016
Current income tax	1,949,833	2,238,349	2,190,610
Deferred income tax	(376,382)	(809,584)	(774,110)
	1,573,451	1,428,765	1,416,500

(b) Reconciliation between income tax and accounting profit

The PRC income tax has been provided at the applicable tax rate on the estimated assessable profits for each of the Relevant Periods based on existing legislation, interpretations and practices in respect thereof.

Guanghan Zhujiang County Bank enjoyed a preferential tax rate of 15% during the Relevant Periods. Xinjin Zhujiang County Bank enjoyed a preferential tax rate of 15% for the years ended 31 December 2014 and 2015, and was subject to PRC income tax at a rate of 25% for the year ended 31 December 2016. The other entities of the Group were subject to PRC income tax at a rate of 25% during the Relevant Periods. A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	Year ended 31 December		
	2014	2015	2016
Profit before tax	7,054,846	6,429,105	6,522,846
Tax at the PRC statutory income tax rate	1,763,712	1,607,276	1,630,711
Effect of different tax rates	986	9,671	(2,111)
Non-deductible expenses	32,763	40,030	131,153
Non-taxable income (i)	(224,680)	(224,113)	(334,058)
Underprovision/(overprovision) in respect of prior years	542	(4,099)	(2,707)
Effect of change of tax rate	—	—	(6,488)
Others	128	—	—
Tax expense at the Group's effective income tax rate	1,573,451	1,428,765	1,416,500

(i) The non-taxable income mainly represents interest income arising from the PRC government bonds which is exempted from income tax, under Chinese tax regulations.

15. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

The consolidated profit attributable to equity holders of the parent company for the years ended 31 December 2014, 2015 and 2016, includes a profit of RMB5,298 million, RMB4,990 million and RMB4,844 million respectively, which has been dealt with in the financial statements of the Bank.

16. DIVIDENDS

	Year ended 31 December		
	2014	2015	2016
Dividends on ordinary shares declared and paid:			
Final dividend	2,038,355	2,282,958	1,630,684
Dividend per share (in RMB yuan)	0.25	0.28	0.20
Dividends on ordinary shares proposed for approval (not recognised as at 31 December):			
Final dividend	2,282,958	1,630,684	1,630,684

17. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following:

	Year ended 31 December		
	2014	2015	2016
Earnings:			
Net profit attributable to equity holders of the parent company	5,374,690	5,001,016	5,025,586
Shares:			
Weighted average number of ordinary shares in issue (in thousands)	8,153,419	8,153,419	8,153,419
Basic and diluted earnings per share (in RMB yuan)	0.66	0.61	0.62

The Group had no dilutive potential shares outstanding during the Relevant Periods.

18. CASH AND BALANCES WITH CENTRAL BANK

	The Group		
	31 December		
	2014	2015	2016
Cash on hand	2,929,312	2,817,210	3,335,225
Mandatory reserves with central bank (i)	60,755,068	51,711,966	57,540,461
Surplus reserves with central bank (ii)	14,521,267	27,361,949	21,575,869
Fiscal deposits with central bank	430,434	259,873	571,387
Total	78,636,081	82,150,998	83,022,942

	The Bank		
	31 December		
	2014	2015	2016
Cash on hand	2,754,083	2,613,158	3,112,801
Mandatory reserves with central bank (i)	58,911,684	49,969,815	54,757,087
Surplus reserves with central bank (ii)	14,126,130	26,337,927	19,366,032
Fiscal deposits with central bank	429,566	259,469	570,988
Total	76,221,463	79,180,369	77,806,908

(i) The Group is required to place mandatory reserve deposits with the PBoC (the "PBoC"), and these mandatory reserve deposits with the central bank are not available for use in the Group's daily operations. As at 31 December 2014, 2015 and 2016, the mandatory deposit reserve ratios of the branches and subsidiaries of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBoC.

(ii) Surplus reserves with the PBoC include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

19. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		
	31 December		
	2014	2015	2016
Nostro accounts:			
Banks operating in Mainland China	31,426,210	48,123,491	16,672,265
Other financial institutions operating in Mainland China	412,398	864,522	1,276,358
Banks operating outside Mainland China	387,759	493,638	432,224
	32,226,367	49,481,651	18,380,847

	The Bank		
	31 December		
	2014	2015	2016
Nostro accounts:			
Banks operating in Mainland China	29,682,575	41,298,453	9,540,450
Other financial institutions operating in Mainland China	412,398	864,522	1,276,358
Banks operating outside Mainland China	387,759	493,638	432,224
	30,482,732	42,656,613	11,249,032

20. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		
	31 December		
	2014	2015	2016
Placements with banks and other financial institutions:			
Banks operating in Mainland China	7,390,000	1,687,468	1,655,819
Other financial institutions operating in Mainland China	4,063,135	513,135	2,255,000
	11,453,135	2,200,603	3,910,819
Less: Allowance for impairment losses	(513,135)	(513,135)	—
	10,940,000	1,687,468	3,910,819

	The Bank		
	31 December		
	2014	2015	2016
Placements with banks and other financial institutions:			
Banks operating in Mainland China	7,390,000	1,632,468	1,355,819
Other financial institutions operating in Mainland China	4,063,135	513,135	1,250,000
	11,453,135	2,145,603	2,605,819
Less: Allowance for impairment losses	(513,135)	(513,135)	—
	10,940,000	1,632,468	2,605,819

20. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS—continued

	The Group and the Bank
	Allowance for impairment losses
As at 1 January 2014 and 31 December 2014, 2015	(513,135)
Reversal for the year	513,135
As at 31 December 2016	—

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group and the Bank		
	31 December		
	2014	2015	2016
Debt securities issued by:(i)			
Government	29,862	344,879	187,701
Financial institutions			
—Policy banks	758,634	5,310,237	1,456,474
—Other banks and non-bank financial institutions	441,010	1,299,533	2,316,380
Corporate	240,250	1,031,936	3,201,786
Subtotal	1,469,756	7,986,585	7,162,341
Funds and others(ii)	—	43,823,872	28,818,037
Total	1,469,756	51,810,457	35,980,378

(i) All debt securities of financial assets at fair value through profit or loss are listed in Mainland China.

(ii) Funds and others are unlisted.

22. REVERSE REPURCHASE AGREEMENTS

	The Group and the Bank		
	31 December		
	2014	2015	2016
Reverse repurchase agreements analysed by counterparty:			
Banks operating in Mainland China	43,347,315	27,707,189	40,885,123
Other financial institutions operating in Mainland China	17,613,648	6,469,468	39,077,969
	60,960,963	34,176,657	79,963,092
Reverse repurchase agreements analysed by collateral:			
Securities	23,001,676	20,554,412	68,757,577
Bills	37,084,102	13,622,245	11,205,515
Trust beneficial rights and asset management plans	600,000	—	—
Financial lease assets	275,185	—	—
	60,960,963	34,176,657	79,963,092

22. REVERSE REPURCHASE AGREEMENTS—continued

As part of the reverse repurchase agreements, the Group has received securities, bills and other documents as collateral that it is allowed to sell or repledge in the absence of default by their owners; the fair value of such collateral accepted by the Group was RMB60,313,204 thousand, RMB30,833,560 thousand and RMB66,382,311 thousand as at 31 December 2014, 2015 and 2016 respectively. Included in the above, certain collateral was sold or re-pledged by the Bank with a fair value of RMB2,765,816 thousand, RMB2,426,989 thousand and RMB14,542,945 thousand as at 31 December 2014, 2015 and 2016, respectively. These transactions were conducted under standard terms in the normal course of business.

23. LOANS AND ADVANCES TO CUSTOMERS

	The Group		
	31 December		
	2014	2015	2016
Corporate loans and advances	119,771,088	146,420,946	152,566,990
Personal loans			
Residential mortgages	25,163,419	26,881,831	34,015,811
Personal business loans	29,026,314	32,566,501	28,946,516
Personal consumption loans	4,597,111	8,970,795	11,936,296
Credit cards	2,863,079	4,260,592	6,429,614
Subtotal	61,649,923	72,679,719	81,328,237
Discounted bills	4,560,402	4,558,394	11,996,069
Total loans and advances to customers	185,981,413	223,659,059	245,891,296
Less: Allowance for impairment losses	(5,261,109)	(6,879,295)	(7,956,525)
Loans and advances to customers, net	180,720,304	216,779,764	237,934,771

	The Bank		
	31 December		
	2014	2015	2016
Corporate loans and advances	113,876,671	132,438,132	133,795,239
Personal loans			
Residential mortgages	24,705,338	26,391,255	33,211,524
Personal business loans	24,418,702	26,036,826	20,929,016
Personal consumption loans	4,140,228	7,619,915	10,066,172
Credit cards	2,863,079	4,260,592	6,429,614
Subtotal	56,127,347	64,308,588	70,636,326
Discounted bills	4,514,936	4,421,737	11,642,934
Total loans and advances to customers	174,518,954	201,168,457	216,074,499
Less: Allowance for impairment losses	(4,910,748)	(5,988,205)	(6,717,455)
Loans and advances to customers, net	169,608,206	195,180,252	209,357,044

23. LOANS AND ADVANCES TO CUSTOMERS—continued

Movements of allowance for impairment losses during the Relevant Periods are as follows:

The Group

	Individually assessed	Collectively assessed	Total
At 1 January 2014	625,329	3,594,022	4,219,351
Impairment allowances charged	756,357	913,423	1,669,780
Reversal of impairment allowances	(29,631)	(118,198)	(147,829)
Accreted interest on impaired loans (note 5)	(60,336)	(12,545)	(72,881)
Write-offs	(368,087)	(70,630)	(438,717)
Recoveries of loans and advances previously written off	28,849	2,556	31,405
At 31 December 2014 and 1 January 2015	952,481	4,308,628	5,261,109
Impairment allowances charged	1,884,903	1,947,733	3,832,636
Reversal of impairment allowances	(22,649)	(165,929)	(188,578)
Accreted interest on impaired loans (note 5)	(127,780)	(23,701)	(151,481)
Write-offs	(1,631,602)	(385,749)	(2,017,351)
Recoveries of loans and advances previously written off	122,467	20,493	142,960
At 31 December 2015 and 1 January 2016	1,177,820	5,701,475	6,879,295
Impairment allowances charged	2,278,616	1,578,020	3,856,636
Reversal of impairment allowances	(65,355)	(97,596)	(162,951)
Accreted interest on impaired loans (note 5)	(123,591)	(13,649)	(137,240)
Write-offs	(2,768,744)	(527,217)	(3,295,961)
Recoveries of loans and advances previously written off	735,150	81,596	816,746
At 31 December 2016	1,233,896	6,722,629	7,956,525

The Bank

	Individually assessed	Collectively assessed	Total
At 1 January 2014	612,869	3,445,913	4,058,782
Impairment allowances charged	717,536	747,752	1,465,288
Reversal of impairment allowances	(25,558)	(118,193)	(143,751)
Accreted interest on impaired loans	(59,612)	(12,545)	(72,157)
Write-offs	(357,465)	(70,630)	(428,095)
Recoveries of loans and advances previously written off	28,125	2,556	30,681
At 31 December 2014 and 1 January 2015	915,895	3,994,853	4,910,748
Impairment allowances charged	1,673,593	1,564,867	3,238,460
Reversal of impairment allowances	(14,612)	(165,927)	(180,539)
Accreted interest on impaired loans	(121,419)	(23,701)	(145,120)
Write-offs	(1,597,694)	(380,595)	(1,978,289)
Recoveries of loans and advances previously written off	122,452	20,493	142,945
At 31 December 2015 and 1 January 2016	978,215	5,009,990	5,988,205
Impairment allowances charged	1,964,106	1,276,384	3,240,490
Reversal of impairment allowances	(17,123)	(97,525)	(114,648)
Accreted interest on impaired loans	(111,703)	(13,649)	(125,352)
Write-offs	(2,553,237)	(527,217)	(3,080,454)
Recoveries of loans and advances previously written off	727,618	81,596	809,214
As at 31 December 2016	987,876	5,729,579	6,717,455

23. LOANS AND ADVANCES TO CUSTOMERS—continued

	The Group		
	31 December		
	2014	2015	2016
Loans and advances:			
Unimpaired loans and advances (i)	183,112,268	219,631,112	241,435,762
Impaired loans and advances to customers (ii)			
Individually assessed	2,493,636	2,776,501	2,608,223
Collectively assessed	375,509	1,251,446	1,847,311
	185,981,413	223,659,059	245,891,296
Less: Allowance for impairment losses:			
Unimpaired loans and advances (i)	(4,131,619)	(5,137,394)	(5,376,680)
Impaired loans and advances to customers (ii)			
Individually assessed	(952,481)	(1,177,820)	(1,233,896)
Collectively assessed	(177,009)	(564,081)	(1,345,949)
	(5,261,109)	(6,879,295)	(7,956,525)
Net loans and advances:			
Unimpaired loans and advances (i)	178,980,649	214,493,718	236,059,082
Impaired loans and advances to customers (ii)			
Individually assessed	1,541,155	1,598,681	1,374,327
Collectively assessed	198,500	687,365	501,362
	180,720,304	216,779,764	237,934,771
Percentage of impaired loans and advances	1.54%	1.80%	1.81%

	The Bank		
	31 December		
	2014	2015	2016
Loans and advances:			
Unimpaired loans and advances (i)	171,765,762	197,556,252	212,133,031
Impaired loans and advances to customers (ii)			
Individually assessed	2,377,683	2,360,759	2,094,157
Collectively assessed	375,509	1,251,446	1,847,311
	174,518,954	201,168,457	216,074,499
Less: Allowance for impairment losses:			
Unimpaired loans and advances (i)	(3,817,844)	(4,445,909)	(4,383,630)
Impaired loans and advances to customers (ii)			
Individually assessed	(915,895)	(978,215)	(987,876)
Collectively assessed	(177,009)	(564,081)	(1,345,949)
	(4,910,748)	(5,988,205)	(6,717,455)
Net loans and advances:			
Unimpaired loans and advances (i)	167,947,918	193,110,343	207,749,401
Impaired loans and advances to customers (ii)			
Individually assessed	1,461,788	1,382,544	1,106,281
Collectively assessed	198,500	687,365	501,362
	169,608,206	195,180,252	209,357,044
Percentage of impaired loans and advances	1.58%	1.80%	1.82%

23. LOANS AND ADVANCES TO CUSTOMERS—continued

(i) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.

(ii) Impaired loans and advances identified are loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either:

- individually (including mainly corporate loans and advances which are impaired); or
- collectively (portfolios of individually insignificant homogenous loans which share similar credit risk characteristics, mainly personal loans which are impaired).

24. FINANCIAL INVESTMENTS

	The Group		
	31 December		
	2014	2015	2016
Receivables (a)	40,717,376	47,137,059	76,012,399
Held-to-maturity investments (b)	8,551,146	18,433,575	25,782,157
Available-for-sale financial assets (c)	45,459,171	72,123,286	88,278,361
	94,727,693	137,693,920	190,072,917

	The Bank		
	31 December		
	2014	2015	2016
Receivables (a)	40,717,376	47,037,059	75,927,399
Held-to-maturity investments (b)	8,551,146	18,433,575	25,782,157
Available-for-sale financial assets (c)	45,459,171	71,862,786	86,582,348
	94,727,693	137,333,420	188,291,904

(a) Receivables

The receivables are unlisted and stated at amortised cost and comprise the following:

	The Group		
	31 December		
	2014	2015	2016
Wealth management products issued by other financial institutions (i)	1,432,000	—	—
Trust fund plans and asset management plans (ii)	39,285,376	47,491,607	76,440,634
Subtotal	40,717,376	47,491,607	76,440,634
Allowance for impairment losses	—	(354,548)	(428,235)
Including: Individually assessed	—	(169,041)	(238,104)
Collectively assessed	—	(185,507)	(190,131)
Total	40,717,376	47,137,059	76,012,399

24. FINANCIAL INVESTMENTS—continued

(a) Receivables—continued

	The Bank		
	31 December		
	2014	2015	2016
Wealth management product issued by other financial institutions (i)	1,432,000	—	—
Trust fund plans and asset management plans (ii)	39,285,376	47,391,607	76,355,634
Subtotal	40,717,376	47,391,607	76,355,634
Allowance for impairment losses	—	(354,548)	(428,235)
Including: Individually assessed	—	(169,041)	(238,104)
Collectively assessed	—	(185,507)	(190,131)
Total	40,717,376	47,037,059	75,927,399

(i) Wealth management products are fixed term products issued by other financial institutions. At 31 December 2014, 2015 and 2016, the fixed terms are 3 months, nil and nil respectively.

(ii) The trust fund plans and asset management plans were purchased from trust companies and asset management companies, with no active market quotes. At 31 December 2014, 2015 and 2016, the definite period lengths are 1 to 60 months, 1 to 60 months and 1 to 60 months respectively.

Movements of allowance for investments classified as receivables are as follows:

	The Group and the Bank		
	Individually assessed allowance	Collectively assessed allowance	Total
At 1 January 2014 and 31 December 2014	—	—	—
Charge for the year	169,041	185,507	354,548
At 31 December 2015	169,041	185,507	354,548
Charge for the year	152,793	94,560	247,353
Reversal for the year	(83,730)	(89,936)	(173,666)
At 31 December 2016	238,104	190,131	428,235

24. FINANCIAL INVESTMENTS—continued

(b) Held-to-maturity investments

Held-to-maturity investments are stated at amortised cost and comprise the following:

	The Group and the Bank		
	31 December		
	2014	2015	2016
Debt securities issued by:(i)			
Government	2,820,636	7,673,493	8,050,822
Financial institutions			
—Policy banks	4,730,445	6,199,119	11,285,893
—Other banks and non-bank financial institutions	700,066	4,184,812	6,445,442
Corporate	299,999	379,951	—
Subtotal	8,551,146	18,437,375	25,782,157
Allowance for impairment losses	—	(3,800)	—
Including: Collectively assessed	—	(3,800)	—
Total	8,551,146	18,433,575	25,782,157
Market value of listed debt securities	8,825,366	19,037,393	26,037,010

(i) All held-to-maturity investments debt securities are listed in Mainland China.

Movements of allowance on investments classified as held-to-maturity investments are as follows:

	The Group and the Bank		
	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2014 and 31 December 2014	—	—	—
Charge for the year	—	3,800	3,800
As at 31 December 2015	—	3,800	3,800
Reversal for the year	—	(3,800)	(3,800)
As at 31 December 2016	—	—	—

24. FINANCIAL INVESTMENTS—continued

(c) Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

	The Group		
	31 December		
	2014	2015	2016
Debt securities, at fair value, issued by (i):			
Government	22,601,467	18,383,749	12,801,575
Financial institutions			
—Policy banks	10,261,807	22,508,890	35,984,691
—Other banks and non-bank financial institutions	4,184,927	6,122,727	3,691,477
Corporate	8,359,916	10,296,366	5,287,416
Subtotal	45,408,117	57,311,732	57,765,159
Funds and other investments, at fair value (ii)	—	14,760,500	30,462,148
Equity and other investments, at cost (iii)	51,054	51,054	51,054
Total	45,459,171	72,123,286	88,278,361

	The Bank		
	31 December		
	2014	2015	2016
Debt securities, at fair value, issued by (i):			
Government	22,601,467	18,383,749	12,801,575
Financial institutions			
—Policy banks	10,261,807	22,508,890	35,984,691
—Other banks and non-bank financial institutions	4,184,927	6,122,727	3,691,477
Corporate	8,359,916	10,296,366	5,287,416
Subtotal	45,408,117	57,311,732	57,765,159
Funds and other investments, at fair value (ii)	—	14,500,000	28,766,135
Equity and other investments, at cost (iii)	51,054	51,054	51,054
Total	45,459,171	71,862,786	86,582,348

(i) All available-for-sale debt securities are listed in Mainland China.

(ii) All funds and other investments are unlisted.

(iii) All available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise.

25. INVESTMENTS IN SUBSIDIARIES

	The Bank		
	31 December		
	2014	2015	2016
Unlisted investments, at cost	2,107,908	2,109,737	2,109,737

26. PROPERTY AND EQUIPMENT

The Group

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Total
Cost:						
At 1 January 2014	3,811,235	136,575	286,187	922,320	64,651	5,220,968
Additions	11,118	194,926	44,769	99,339	4,551	354,703
CIP transfers in/(out)	72,757	(210,189)	72,919	64,513	—	—
Other transfer in	2,822	—	10,323	—	—	13,145
Disposals	(306)	—	—	(15,806)	—	(16,112)
Other transfer out	(228)	(49,765)	(479)	(440)	—	(50,912)
At 31 December 2014 and 1 January 2015	3,897,398	71,547	413,719	1,069,926	69,202	5,521,792
Additions	4,834	211,277	46,891	90,614	2,465	356,081
CIP transfers in/(out)	13,348	(63,102)	30,844	18,910	—	—
Other transfer in	—	—	424	—	—	424
Disposals	(5,200)	—	—	(45,165)	(256)	(50,621)
Other transfer out	(36,801)	(19,190)	(1,760)	—	—	(57,751)
At 31 December 2015 and 1 January 2016	3,873,579	200,532	490,118	1,134,285	71,411	5,769,925
Additions	8,121	219,224	34,209	92,398	2,495	356,447
CIP transfers in/(out)	21,118	(147,759)	39,629	87,012	—	—
Other transfer in	52,459	—	—	27,769	—	80,228
Disposals	(8,469)	—	—	(125,268)	(1,437)	(135,174)
Other transfer out	(1,446)	(16,245)	(598)	—	—	(18,289)
At 31 December 2016	3,945,362	255,752	563,358	1,216,196	72,469	6,053,137

26. PROPERTY AND EQUIPMENT—continued

The Group—continued

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Total
Accumulated depreciation:						
At 1 January 2014	2,218,808	—	116,449	493,451	48,057	2,876,765
Depreciation charge for the year	205,493	—	63,433	156,222	7,548	432,696
Other transfer in	250	—	426	—	—	676
Disposals	(407)	—	—	(15,253)	—	(15,660)
Other transfer out	(282)	—	(4)	—	—	(286)
At 31 December 2014 and 1 January 2015	2,423,862	—	180,304	634,420	55,605	3,294,191
Depreciation charge for the year	209,175	—	79,958	164,847	5,290	459,270
Disposals	(4,936)	—	—	(45,029)	(86)	(50,051)
Other transfer out	(30,892)	—	(126)	—	—	(31,018)
At 31 December 2015 and 1 January 2016	2,597,209	—	260,136	754,238	60,809	3,672,392
Depreciation charge for the year	198,481	—	84,763	164,758	5,360	453,362
Disposals	(8,077)	—	—	(87,119)	(1,336)	(96,532)
Other transfer out	(1,434)	—	—	—	—	(1,434)
At 31 December 2016	2,786,179	—	344,899	831,877	64,833	4,027,788
Net carrying amount:						
At 31 December 2014	1,473,536	71,547	233,415	435,506	13,597	2,227,601
At 31 December 2015	1,276,370	200,532	229,982	380,047	10,602	2,097,533
At 31 December 2016	1,159,183	255,752	218,459	384,319	7,636	2,025,349

26. PROPERTY AND EQUIPMENT—continued

The Bank

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Total
Cost:						
At 1 January 2014	3,808,126	135,113	200,214	888,796	49,936	5,082,185
Additions	2,189	178,262	1,518	68,602	1,016	251,587
CIP transfers in/(out)	72,757	(198,076)	63,061	62,258	—	—
Other transfer in	2,822	—	2,393	—	—	5,215
Disposals	(306)	—	—	(15,600)	—	(15,906)
Other transfer out	(228)	(49,765)	—	—	—	(49,993)
At 31 December 2014 and 1 January 2015	3,885,360	65,534	267,186	1,004,056	50,952	5,273,088
Additions	2,493	185,264	8,135	71,124	—	267,016
CIP transfers in/(out)	13,348	(50,339)	21,017	15,974	—	—
Other transfer in	—	—	2,651	—	—	2,651
Disposals	(5,200)	—	—	(44,904)	—	(50,104)
Other transfer out	(36,801)	(19,190)	—	—	—	(55,991)
At 31 December 2015 and 1 January 2016	3,859,200	181,269	298,989	1,046,250	50,952	5,436,660
Additions	2,205	204,240	6,633	78,749	—	291,827
CIP transfers in/(out)	21,118	(134,616)	26,486	87,012	—	—
Other transfer in	52,459	—	—	27,698	—	80,157
Disposals	(8,469)	—	—	(125,218)	—	(133,687)
Other transfer out	(1,446)	(16,156)	(527)	—	—	(18,129)
At 31 December 2016	3,925,067	234,737	331,581	1,114,491	50,952	5,656,828

26. PROPERTY AND EQUIPMENT—continued

The Bank—continued

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Total
Accumulated depreciation:						
At 1 January 2014	2,218,758	—	88,327	484,861	41,280	2,833,226
Depreciation charge for the year	205,156	—	43,674	147,442	3,534	399,806
Other transfer in	250	—	426	—	—	676
Disposals	(407)	—	—	(15,246)	—	(15,653)
Other transfer out	(282)	—	—	—	—	(282)
At 31 December 2014 and 1 January 2015	2,423,475	—	132,427	617,057	44,814	3,217,773
Depreciation charge for the year	208,590	—	51,103	149,460	2,424	411,577
Disposals	(4,936)	—	—	(44,782)	—	(49,718)
Other transfer out	(30,892)	—	—	—	—	(30,892)
At 31 December 2015 and 1 January 2016	2,596,237	—	183,530	721,735	47,238	3,548,740
Depreciation charge for the year	197,725	—	51,080	149,347	1,388	399,540
Disposals	(8,077)	—	—	(87,100)	—	(95,177)
Other transfer out	(1,434)	—	—	—	—	(1,434)
At 31 December 2016	2,784,451	—	234,610	783,982	48,626	3,851,669
Net carrying amount:						
At 31 December 2014	1,461,885	65,534	134,759	386,999	6,138	2,055,315
At 31 December 2015	1,262,963	181,269	115,459	324,515	3,714	1,887,920
At 31 December 2016	1,140,616	234,737	96,971	330,509	2,326	1,805,159

The carrying value of the Group's and the Bank's properties and buildings is analysed based on the remaining terms of the land leases as follows:

	The Group		
	31 December		
	2014	2015	2016
Held in Mainland China			
Over 50 years	82,553	66,709	66,239
10 to 50 years	1,304,869	1,137,578	1,034,015
	1,387,422	1,204,287	1,100,254

	The Bank		
	31 December		
	2014	2015	2016
Held in Mainland China			
Over 50 years	79,191	63,475	64,904
10 to 50 years	1,296,580	1,129,689	1,029,356
	1,375,771	1,193,164	1,094,260

26. PROPERTY AND EQUIPMENT—continued

As at 31 December 2014, 2015 and 2016, the process of obtaining the title for the Group's properties and buildings with an aggregate net carrying amount of RMB86,114 thousand, RMB72,083 thousand and RMB58,929 thousand respectively was still in progress. Management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

As at 31 December 2014, 2015 and 2016, the carrying value of other transfer out from construction in progress was to intangible assets, and the carrying value of other transfer out from properties and buildings was to investment properties.

27. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority. As at 31 December 2014, 2015 and 2016, the qualifying amounts offset was RMB156,168 thousand, RMB299,536 thousand and RMB4,983 thousand respectively.

Movements of deferred income tax

The Group

2014

	At 1 January 2014	Total gains/(losses) recorded in profit or loss	Total losses recorded in other comprehensive income	At 31 December 2014
Deferred tax assets:				
Allowance for impairment losses	845,966	307,673	—	1,153,639
Change in fair value of available-for-sale financial assets	147,891	—	(147,891)	—
Change in financial assets at fair value through profit or loss	10,916	(10,684)	—	232
Salaries, bonuses, allowances and subsidies payable	185,476	52,466	—	237,942
Early retirement benefits	18,380	(781)	—	17,599
Provisions	9,009	—	—	9,009
Others	7,749	27,708	—	35,457
Total	1,225,387	376,382	(147,891)	1,453,878
Deferred tax liabilities:				
Change in fair value of available-for-sale financial assets	—	—	154,354	154,354
Government grants and subsidies	593	—	—	593
Unrealised gains on repossessed assets	1,814	—	—	1,814
Total	2,407	—	154,354	156,761

27. DEFERRED INCOME TAX ASSETS AND LIABILITIES—continued

Movements of deferred income tax—continued

The Group—continued

2015

	At 1 January 2015	Total gains/(losses) recorded in profit or loss	Total losses recorded in other comprehensive income	At 31 December 2015
Deferred tax assets:				
Allowance for impairment losses	1,153,639	871,017	—	2,024,656
Change in financial assets at fair value through profit or loss	232	(232)	—	—
Salaries, bonuses, allowances and subsidies payable	237,942	(12)	—	237,930
Early retirement benefits	17,599	2,923	—	20,522
Provisions	9,009	(1,996)	—	7,013
Others	35,457	(24,688)	—	10,769
Total	1,453,878	847,012	—	2,300,890
Deferred tax liabilities:				
Change in fair value of available-for-sale financial assets	154,354	—	105,347	259,701
Change in financial assets at fair value through profit or loss	—	30,624	—	30,624
Government grants and subsidies	593	6,804	—	7,397
Unrealised gains on repossessed assets	1,814	—	—	1,814
Total	156,761	37,428	105,347	299,536

27. DEFERRED INCOME TAX ASSETS AND LIABILITIES—continued

Movements of deferred income tax—continued

The Group—continued

2016

	At 1 January 2016	Total gains/(losses) recorded in profit or loss	Total losses recorded in other comprehensive income	At 31 December 2016
Deferred tax assets:				
Allowance for impairment losses	2,024,656	619,853	—	2,644,509
Change in fair value of available-for-sale financial assets	—	—	237,946	237,946
Change in financial assets at fair value through profit or loss	—	68,798	—	68,798
Salaries, bonuses, allowances and subsidies payable	237,930	17,157	—	255,087
Early retirement benefits	20,522	9,723	—	30,245
Provisions	7,013	(4,658)	—	2,355
Others	10,769	28,385	—	39,154
Total	2,300,890	739,258	237,946	3,278,094
Deferred tax liabilities:				
Change in fair value of available-for-sale financial assets	259,701	—	(259,701)	—
Change in financial assets at fair value through profit or loss	30,624	(30,624)	—	—
Government grants and subsidies	7,397	(4,078)	—	3,319
Unrealised gains on repossessed assets	1,814	(150)	—	1,664
Total	299,536	(34,852)	(259,701)	4,983

27. DEFERRED INCOME TAX ASSETS AND LIABILITIES—continued

Movements of deferred income tax—continued

In the statements of financial position of the Bank, certain deferred tax assets and deferred tax liabilities were presented at net amount after offsetting qualifying amounts. As at 31 December 2014, 2015 and 2016, the qualifying amount offset was RMB156,168 thousand, RMB292,139 thousand and RMB1,664 thousand respectively.

The Bank

2014

	At 1 January 2014	Total gains/(losses) recorded in profit or loss	Total losses recorded in other comprehensive income	At 31 December 2014
Deferred tax assets:				
Allowance for impairment losses	827,443	272,579	—	1,100,022
Change in fair value of available-for-sale financial assets	147,891	—	(147,891)	—
Change in financial assets at fair value through profit or loss	10,916	(10,684)	—	232
Salaries, bonuses, allowances and subsidies payable	183,515	52,977	—	236,492
Early retirement benefits	18,380	(781)	—	17,599
Provisions	9,009	—	—	9,009
Others	—	25,000	—	25,000
Total	1,197,154	339,091	(147,891)	1,388,354
Deferred tax liabilities:				
Change in fair value of available-for-sale financial assets	—	—	154,354	154,354
Unrealised gains on repossessed assets	1,814	—	—	1,814
Total	1,814	—	154,354	156,168

27. DEFERRED INCOME TAX ASSETS AND LIABILITIES—continued

Movements of deferred income tax—continued

The Bank—continued

2015

	At 1 January 2015	Total gains/(losses) recorded in profit or loss	Total losses recorded in other comprehensive income	At 31 December 2015
Deferred tax assets:				
Allowance for impairment losses	1,100,022	764,987	—	1,865,009
Change in fair value of available-for-sale financial assets	—	—	—	—
Change in financial assets at fair value through profit or loss	232	(232)	—	—
Salaries, bonuses, allowances and subsidies payable	236,492	(1,115)	—	235,377
Early retirement benefits	17,599	2,923	—	20,522
Provisions	9,009	(2,014)	—	6,995
Others	25,000	(25,000)	—	—
Total	1,388,354	739,549	—	2,127,903
Deferred tax liabilities:				
Change in fair value of available-for-sale financial assets	154,354	—	105,347	259,701
Change in financial assets at fair value through profit or loss	—	30,624	—	30,624
Unrealised gains on repossessed assets	1,814	—	—	1,814
Total	156,168	30,624	105,347	292,139

27. DEFERRED INCOME TAX ASSETS AND LIABILITIES—continued

Movements of deferred income tax—continued

The Bank—continued

2016

	At 1 January 2016	Total gains/(losses) recorded in profit or loss	Total losses recorded in other comprehensive income	At 31 December 2016
Deferred tax assets:				
Allowance for impairment losses	1,865,009	506,846	—	2,371,855
Change in fair value of available-for-sale financial assets	—	—	237,946	237,946
Change in financial assets at fair value through profit or loss	—	68,798	—	68,798
Salaries, bonuses, allowances and subsidies payable	235,377	18,928	—	254,305
Early retirement benefits	20,522	9,723	—	30,245
Provisions	6,995	(4,658)	—	2,337
Others	—	28,385	—	28,385
Total	2,127,903	628,022	237,946	2,993,871
Deferred tax liabilities:				
Change in fair value of available-for-sale financial assets	259,701	—	(259,701)	—
Change in financial assets at fair value through profit or loss	30,624	(30,624)	—	—
Unrealised gains on repossessed assets	1,814	(150)	—	1,664
Total	292,139	(30,774)	(259,701)	1,664

The Group and the Bank did not have significant unrecognised deferred income tax assets and liabilities at the end of each of the Relevant Periods. Deferred tax assets have been recognised in respect of the above items as it is considered probable that taxable profits will be available against which the above items can be utilised.

28. OTHER ASSETS

	The Group		
	31 December		
	2014	2015	2016
Interest receivable (a)	2,312,915	3,587,795	4,661,497
Land use rights (b)	26,190	24,483	22,572
Receivables and prepayments	205,504	336,410	354,946
Settlement and clearing accounts	—	67,704	174,941
Repossessed assets (c)	519,165	560,542	506,794
Intangible assets (d)	81,425	111,656	115,898
Investment properties	225,908	211,009	188,938
Receivable from agency services	—	—	311,985
Others	30,037	27,799	49,318
	3,401,144	4,927,398	6,386,889

28. OTHER ASSETS—continued

	The Bank		
	31 December		
	2014	2015	2016
Interest receivable (a)	2,272,331	3,505,072	4,540,911
Land use rights (b)	13,771	12,395	10,815
Receivables and prepayments	112,638	177,954	170,401
Settlement and clearing accounts	—	85,401	196,186
Repossessed assets (c)	519,165	550,976	496,219
Intangible assets (d)	80,863	110,935	115,148
Investment properties	225,908	211,009	188,938
Receivable from agency services	—	—	311,985
Others	14,266	14,247	39,278
	3,238,942	4,667,989	6,069,881

(a) Interest receivable

	The Group		
	31 December		
	2014	2015	2016
Bonds and other investments	1,589,806	2,538,831	3,664,534
Loans and advances to customers	574,644	721,130	685,987
Others	148,465	334,296	360,577
Subtotal	2,312,915	3,594,257	4,711,098
Less: Impairment provisions	—	(6,462)	(49,601)
	2,312,915	3,587,795	4,661,497

	The Bank		
	31 December		
	2014	2015	2016
Bonds and other investments	1,589,806	2,537,837	3,654,438
Loans and advances to customers	538,232	675,981	625,779
Others	144,293	297,716	310,292
Subtotal	2,272,331	3,511,534	4,590,509
Less: Impairment provisions	—	(6,462)	(49,598)
	2,272,331	3,505,072	4,540,911

As at 31 December 2014, 2015 and 2016, the Group's interest receivable with aging over one year was nil, RMB42,818 thousand and RMB103,392 thousand respectively which mainly arose from receivables. As at 31 December 2014, 2015 and 2016, management had made impairment provision amounting to nil, RMB6,462 thousand and RMB49,598 thousand respectively.

28. OTHER ASSETS—continued

(b) Land use rights

	The Group		
	31 December		
	2014	2015	2016
Located in Mainland China			
Over 50 years	4,215	4,135	4,056
10-50 years	21,975	20,348	18,516
	26,190	24,483	22,572

	The Bank		
	31 December		
	2014	2015	2016
Located in Mainland China			
Over 50 years	4,215	4,135	4,056
10-50 years	9,556	8,260	6,759
	13,771	12,395	10,815

(c) Repossessed assets

	The Group		
	31 December		
	2014	2015	2016
Land use rights and buildings	629,966	671,343	589,066
Others	830	830	830
Subtotal	630,796	672,173	589,896
Less: Allowance for impairment losses	(111,631)	(111,631)	(83,102)
	519,165	560,542	506,794

	The Bank		
	31 December		
	2014	2015	2016
Land use rights and buildings	629,966	661,777	578,491
Others	830	830	830
Subtotal	630,796	662,607	579,321
Less: Allowance for impairment losses	(111,631)	(111,631)	(83,102)
	519,165	550,976	496,219

(d) Intangible assets

Intangible assets consist primarily of computer software.

29. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		
	31 December		
	2014	2015	2016
Deposits:			
Banks operating in Mainland China	38,846,344	54,725,722	3,690,686
Other financial institutions operating in Mainland China	3,170,625	49,337,647	29,890,246
	42,016,969	104,063,369	33,580,932

	The Bank		
	31 December		
	2014	2015	2016
Deposits:			
Banks operating in Mainland China	41,846,429	55,412,349	6,827,670
Other financial institutions operating in Mainland China	4,168,966	49,337,647	28,905,246
	46,015,395	104,749,996	35,732,916

30. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group and the Bank		
	31 December		
	2014	2015	2016
Placements:			
Banks operating in Mainland China	6,500,000	1,000,000	1,798,321
Other financial institutions operating in Mainland China	500,000	—	—
	7,000,000	1,000,000	1,798,321

31. REPURCHASE AGREEMENTS

	The Group		
	31 December		
	2014	2015	2016
Repurchase agreements analysed by counterparty:			
Banks operating in Mainland China	8,296,635	11,405,927	48,597,796
Other financial institutions operating in Mainland China	346,034	—	—
	8,642,669	11,405,927	48,597,796
Repurchase agreements analysed by collateral:			
Securities	5,846,500	11,405,927	48,597,796
Bills	2,796,169	—	—
	8,642,669	11,405,927	48,597,796

	The Bank		
	31 December		
	2014	2015	2016
Repurchase agreements analysed by counterparty:			
Banks operating in Mainland China	8,277,134	11,405,927	48,597,796
Other financial institutions operating in Mainland China	346,034	—	—
	8,623,168	11,405,927	48,597,796
Repurchase agreements analysed by collateral:			
Securities	5,846,500	11,405,927	48,597,796
Bills	2,776,668	—	—
	8,623,168	11,405,927	48,597,796

32. DUE TO CUSTOMERS

	The Group		
	31 December		
	2014	2015	2016
Demand deposits:			
Corporate customers	61,512,487	73,272,370	96,876,070
Personal customers	64,374,820	71,171,344	81,438,653
	125,887,307	144,443,714	178,314,723
Time deposits:			
Corporate customers	72,561,996	82,013,459	82,712,546
Personal customers	106,004,524	110,713,825	110,200,321
	178,566,520	192,727,284	192,912,867
Pledged deposits	12,059,280	17,916,303	11,538,231
Other deposits (i)	37,925,450	35,974,579	40,976,217
	354,438,557	391,061,880	423,742,038

32. DUE TO CUSTOMERS—continued

	The Bank		
	31 December		
	2014	2015	2016
Demand deposits:			
Corporate customers	55,261,122	64,168,115	82,390,787
Personal customers	63,024,298	68,762,857	78,712,471
	118,285,420	132,930,972	161,103,258
Time deposits:			
Corporate customers	69,701,426	78,112,805	77,747,213
Personal customers	103,018,861	105,399,547	103,636,649
	172,720,287	183,512,352	181,383,862
Pledged deposits	10,934,121	16,528,702	9,697,421
Other deposits (i)	37,921,134	35,961,884	40,957,772
	339,860,962	368,933,910	393,142,313

(i) As at 31 December 2014, 2015 and 2016, the deposits arising from wealth management products with the principal amount guaranteed by the Group and the Bank amounted to RMB30,478,200 thousand, RMB32,692,213 thousand and RMB35,721,140 thousand respectively.

33. DEBT SECURITIES ISSUED

	The Group and the Bank		
	31 December		
	2014	2015	2016
2012 subordinated bonds tranche (a)	3,497,448	3,497,645	3,497,914
2014 tier two capital bonds (b)	4,096,058	4,096,604	4,097,125
	7,593,506	7,594,249	7,595,039
Interbank negotiable certificates of deposit ("NCD") (c)	4,928,960	14,082,620	84,700,337
Total	12,522,466	21,676,869	92,295,376

(a) Subordinated bonds

Pursuant to the approval of the PBoC and the CBRC, the Bank issued subordinated bonds with a total amount of RMB3.5 billion in the domestic interbank bond market on 28 June 2012. The bonds have a maturity of 10 years, with a fixed coupon rate of 5.99% and annual interest payment on 29 June. The principal is repaid upon its maturity and the Bank has the option to early redeem the bonds at the end of the fifth year.

(b) Tier two capital bonds

Pursuant to the approval of the PBoC and the CBRC, the Bank issued tier two capital bonds in an amount of RMB4.1 billion in the domestic interbank bond market on 11 September 2014. The bonds have a maturity of 10 years, with a fixed coupon rate of 6.26% and annual interest payment on 15 September. The principal is repaid upon its maturity and the Bank has the option to early redeem the bonds at the end of the fifth year.

33. DEBT SECURITIES ISSUED—continued

(c) Interbank negotiable certificates of deposit

As at 31 December 2014, 2015 and 2016, the outstanding balance was RMB 4,928,960 thousand, RMB14,082,620 thousand and RMB84,700,337 thousand, with the interest rate ranging from 4.28% to 6.00%, from 2.80% to 5.27% and from 2.83% to 5.00% and the amount would mature in 2015, in 2016 and in 2017 respectively.

34. OTHER LIABILITIES

	The Group		
	31 December		
	2014	2015	2016
Interest payable (a)	5,713,017	7,635,449	7,826,714
Payables for commission funds	90,500	90,500	90,500
Settlement and clearing accounts	156,244	107,240	403,986
Payable in relation to agency services	315,481	186,755	—
Salaries, bonuses, allowances and subsidies payable (b)	1,494,897	1,561,537	1,743,439
Sundry tax payables	261,590	402,512	145,703
Repossessed assets collection	74,880	43,604	15,000
Non-performing assets collection (c)	41,609	21,155	32,278
Guarantee deposits from lessees (d)	—	424,900	836,793
Deposits and guarantees received	39,484	38,621	69,891
Deposit insurance premium payable	—	29,306	30,555
Borrowings from other banks (e)	—	4,720,000	9,675,000
Collection of loans derecognised under asset-backed securities scheme	—	61,110	—
Deferred revenue	137,623	328,319	244,959
Provisions	36,035	28,050	9,417
Others	110,903	140,546	217,665
	8,472,263	15,819,604	21,341,900

	The Bank		
	31 December		
	2014	2015	2016
Interest payable (a)	5,621,863	7,415,880	7,498,622
Payables for commission funds	90,500	90,500	90,500
Settlement and clearing accounts	106,212	100,181	364,038
Payable in relation to agency services	315,481	186,755	—
Salaries, bonuses, allowances and subsidies payable (b)	1,459,671	1,510,062	1,655,303
Sundry tax payables	252,906	386,410	120,971
Repossessed assets payable	74,880	43,604	15,000
Non-performing assets collection (c)	41,609	21,155	32,278
Deposits and guarantees received	33,343	32,075	64,758
Deposit insurance premium payable	—	29,306	30,555
Collection of loans derecognised under asset-backed securities scheme	—	61,110	—
Deferred revenue	92,582	67,113	17,127
Provisions	36,035	27,980	9,347
Others	128,169	117,867	195,185
	8,253,251	10,089,998	10,093,684

34. OTHER LIABILITIES—continued

(a) Interest payable

	The Group		
	31 December		
	2014	2015	2016
Deposits and placements from banks and other financial institutions	348,544	434,072	157,722
Due to customers	5,180,452	6,976,535	7,379,577
Borrowings from other banks (i)	—	22,347	64,273
Repurchase agreements	696	18,717	40,722
Bonds payable	182,779	182,779	184,056
Others	546	999	364
	5,713,017	7,635,449	7,826,714

	The Bank		
	31 December		
	2014	2015	2016
Deposits and placements from banks and other financial institutions	359,750	423,480	149,482
Due to customers	5,078,638	6,790,904	7,124,362
Repurchase agreements	696	18,717	40,722
Bonds payable	182,779	182,779	184,056
	5,621,863	7,415,880	7,498,622

(i) The interest payable arose from the borrowings from other banks to Zhujiang Financial Leasing Co., Ltd., which is a wholly-owned subsidiary of the Bank.

(b) Salaries, bonuses, allowances and subsidies payable

	The Group		
	31 December		
	2014	2015	2016
Salaries, bonuses and allowances	945,816	946,954	1,049,143
Social insurance	2,725	4,289	5,429
Housing fund	271	213	488
Employee benefits	49	697	728
Labor union expenditure and education costs	66,197	81,352	88,012
Defined contribution plans	2,846	326	18,966
Defined benefit plans			
—Supplemental retirement benefits (i)	406,384	445,075	459,640
Early retirement benefits	70,396	82,090	120,983
Others	213	541	50
	1,494,897	1,561,537	1,743,439

34. OTHER LIABILITIES—continued

(b) Salaries, bonuses, allowances and subsidies payable—continued

	The Bank		
	31 December		
	2014	2015	2016
Salaries, bonuses and allowances	915,166	900,187	967,754
Social insurance	1,501	2,927	3,456
Housing fund	126	93	165
Employee benefits	30	610	390
Labor union expenditure and education costs	63,475	79,076	84,558
Defined contribution plans	2,593	4	18,357
Defined benefit plans			
—Supplemental retirement benefits (i)	406,384	445,075	459,640
Early retirement benefits	70,396	82,090	120,983
	1,459,671	1,510,062	1,655,303

(i) Supplemental retirement benefits

The movement of supplementary retirement benefits of the Group and the Bank are as follows:

	The Group and the Bank		
	31 December		
	2014	2015	2016
As at 1 January	313,341	406,384	445,075
Benefits paid during the year	(21,232)	(21,712)	(23,471)
Defined benefit cost recognised in profit or loss	80,934	42,370	60,254
Defined benefit cost recognised in other comprehensive income	33,341	18,033	(22,218)
As at 31 December	406,384	445,075	459,640

The principal actuarial assumptions adopted at the end of each of the Relevant Periods are as follows:

	The Group and the Bank		
	31 December		
	2014	2015	2016
Discount rate			
—Normal retirees	3.62%	2.82%	3.01%
—Early retirees	4.03%	3.48%	3.50%
Expected growth rate of benefits	0~5%	0~5%	0~5%
Age of retirement			
—Male	60	60	60
—Female	50/55	50/55	50/55

Assumptions regarding future mortality are based on the China Life Insurance Mortality table, which is the published statistics in Mainland China.

34. OTHER LIABILITIES—continued

(b) Salaries, bonuses, allowances and subsidies payable—continued

(i) Supplemental retirement benefits—continued

The sensitivity of the present value of supplemental retirement benefit obligations to changes in the weighted principal assumption is:

The Group and the Bank

	Discount rate		
	31 December		
Change in basis points	**2014**	**2015**	**2016**
+50 basis points	(21,367)	(24,758)	(26,204)
-50 basis points	23,354	27,176	28,826

	Growth rate		
	31 December		
Change in basis points	**2014**	**2015**	**2016**
+50 basis points	23,183	26,799	20,765
-50 basis points	(21,417)	(24,662)	(19,235)

(c) Non-performing assets collection

The promoters of the additional shares issued during the Bank's restructuring donated the Bank's net proceeds received from the disposal of non-performing assets which were entrusted to be managed by the Bank. Up to 31 December 2014, 2015 and 2016, the Bank has received accumulative proceeds of, RMB1,743,045 thousand, RMB1,823,864 thousand and RMB1,980,393 thousand from the non-performing assets. The donation procedures of these proceeds amounting to RMB1,701,436 thousand, RMB1,802,709 thousand and RMB1,948,115 thousand have been completed. Net of income tax of RMB306,013 thousand, RMB306,013 thousand and RMB306,013 thousand, net accumulative proceeds amounting to RMB1,395,423 thousand, RMB1,496,696 thousand and RMB1,642,102 thousand as at 31 December 2014, 2015 and 2016 respectively have been recorded as capital reserve, and the remaining proceeds amounting to RMB41,609 thousand, RMB21,155 thousand and RMB32,278 thousand were recorded as other liabilities and pending for completion of the donation procedures as at 31 December 2014, 2015 and 2016 respectively.

(d) Guarantee deposits from lessees

The wholly-owned subsidiary of the Bank, Zhujiang Financial Leasing Co., Ltd., received deposits from lessees when entering into the finance lease contracts. These deposits are interest-free and will be repaid upon maturity of the lease contracts.

(e) Borrowings from other banks

The wholly-owned subsidiary of the Bank, Zhujiang Financial Leasing Co., Ltd., borrowed long-term and short-term guaranteed loans for its leasing operation business, with maturity ranging from 3 to 36 months and fixed interest rates ranging from 3.70% to 4.90%.

35. SHARE CAPITAL

Authorised and issued share capital

	The Bank		
	31 December		
	2014	2015	2016
Number of shares authorised, issued and fully paid at par value of RMB1 each (in thousands)	8,153,419	8,153,419	8,153,419

36. RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value and shareholders' donation.

(b) Surplus reserve

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles of association to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

For the years ended 31 December 2014, 2015 and 2016, an appropriation of 10% of the profit of the Bank determined under generally accepted accounting principles of the PRC ("PRC GAAP") was made to the statutory surplus reserve, in the amount of RMB529,801 thousand, RMB499,077 thousand, and RMB484,428 thousand respectively, were approved pursuant to the resolutions of the board of directors and the shareholders meetings.

(c) General reserve

Pursuant to the relevant regulations issued by the Ministry of Finance (the "MOF"), the Bank and its subsidiaries are required to maintain a general reserve within equity, through the appropriation of net profit, which, starting from 1 July 2012, should not be less than 1.5% of the year end balance of their respective risk assets as defined by the regulations by year 2017. The Bank appropriated RMB1,212,969 thousand, RMB1,222,224 thousand and RMB1,190,000 thousand to the general reserve for the years ended 31 December 2014, 2015 and 2016, and the reserve has reached 1.5% of the year end balance of its risk assets as required at 31 December 2014, 2015 and 2016.

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes of available-for-sale financial assets.

(e) Remeasurement gains/(losses) on defined benefit plans

Remeasurement gains/(losses) on defined benefit plans are the actuarial gains or losses of supplemental retirement benefits.

36. RESERVES—continued

(f) Reserves of the Bank

In accordance with the relevant regulations, after the Bank's initial public offering, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lesser of (i) the retained profit determined in accordance with the PRC banking regulations and (ii) the retained profit determined in accordance with IFRSs. The amounts that the Bank's subsidiaries can legally distribute are determined by reference to their profits as reflected in their financial statements prepared in accordance with PRC GAAP. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

The movements in reserves and retained profits of the Bank during the Relevant Periods are set out below:

	Reserves						
	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Remeasurement gains/(losses) on defined benefit plans	Total	Retained profits
Balance at 1 January 2014	4,416,815	1,632,569	4,082,370	(443,666)	62,973	9,751,061	8,288,978
Profit for the year	—	—	—	—	—	—	5,298,013
Shareholders' donation	178,608	—	—	—	—	178,608	—
Change in fair value of available- for-sale investments	—	—	—	906,735	—	906,735	—
Remeasurement losses on defined benefit plans	—	—	—		(33,341)	(33,341)	—
Appropriation to surplus reserve	—	529,801	—	—	—	529,801	(529,801)
Appropriation to general reserve	—	—	1,212,969	—	—	1,212,969	(1,212,969)
Dividend declared and paid (note 16)	—	—	—	—	—	—	(2,038,355)
Balance at 31 December 2014 and 1 January 2015	4,595,423	2,162,370	5,295,339	463,069	29,632	12,545,833	9,805,866

36. RESERVES—continued

(f) Reserves of the Bank—continued

The movements in reserves and retained profits of the Bank during the Relevant Periods are set out below:—continued

	Reserves						
	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Remeasurement gains/(losses) on defined benefit plans	Total	Retained profits
Profit for the year	—	—	—	—	—	—	4,990,068
Shareholders' donation	101,273	—	—	—	—	101,273	—
Change in fair value of available-for-sale investments	—	—	—	316,042	—	316,042	—
Remeasurement losses on defined benefit plans	—	—	—	—	(18,033)	(18,033)	—
Appropriation to surplus reserve	—	499,007	—	—	—	499,007	(499,007)
Appropriation to general reserve	—	—	1,222,224	—	—	1,222,224	(1,222,224)
Dividends declared and paid (note 16)	—	—	—	—	—	—	(2,282,958)
Balance at 31 December 2015 and 1 January 2016	4,696,696	2,661,377	6,517,563	779,111	11,599	14,666,346	10,791,745
Profit for the year	—	—	—	—	—	—	4,844,279
Shareholders donation	145,406	—	—	—	—	145,406	—
Change in fair value of available-for-sale investments	—	—	—	(1,492,939)	—	(1,492,939)	—
Remeasurement losses on defined benefit plans	—	—	—	—	22,218	22,218	—
Appropriation to surplus reserve	—	484,428	—	—	—	484,428	(484,428)
Appropriation to general reserve	—	—	1,190,000	—	—	1,190,000	(1,190,000)
Dividend declared and paid (note 16)	—	—	—	—	—	—	(1,630,684)
Balance at 31 December 2016	4,842,102	3,145,805	7,707,563	(713,828)	33,817	15,015,459	12,330,912

37. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	The Group		
	31 December		
	2014	2015	2016
Remeasurement gains/(losses) on defined benefit plans	(33,341)	(18,033)	22,218
Available-for-sale financial assets changes in fair value	1,200,902	906,584	(1,538,885)
Less: Transfer to profit or loss upon disposal	(8,078)	485,195	451,701
Income tax effect (note 27)	302,245	105,347	(497,647)
Total	873,394	298,009	(1,470,721)

38. ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

On the consolidated statements of cash flows, cash and cash equivalents have an original maturity of less than three months and include the following:

	The Group		
	31 December		
	2014	2015	2016
Cash on hand (note 18)	2,929,312	2,817,210	3,335,225
Surplus reserves with central bank (note 18)	14,521,267	27,361,949	21,575,869
Deposits with banks and other financial institutions	26,993,029	36,315,381	9,082,733
Placements with banks and other financial institutions	10,940,000	1,232,468	668,862
Reverse repurchase agreements	57,912,264	28,906,961	70,712,346
Debt securities	246,881	3,795,138	821,046
	113,542,753	100,429,107	106,196,081

39. TRANSFERS OF FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets in the consolidated statements of financial position.

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to sell or repledge those securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. The following table analyses the carrying amounts of the abovementioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	The Group and the Bank		
	31 December		
	2014	2015	2016
Carrying amount of transferred assets	2,765,816	8,040,354	14,204,853
Carrying amount of associated liabilities	2,776,668	8,205,927	14,358,296

Bond lending arrangements

The Group entered into bonds lending agreements with security borrowers to lend out its bond securities classified as available-for-sale financial assets of carrying amount totaling nil, nil and RMB2,445,832 thousand and held-to-maturity investments of carrying amount totaling nil, nil and

39. TRANSFERS OF FINANCIAL ASSETS—continued

Bond lending arrangements—continued

RMB524,918 thousand as at 31 December 2014, 2015, and 2016 respectively, which are secured by borrowers' bonds held as collateral. As stipulated in the bonds lending agreements, the legal ownership of these bond securities is transferred to the borrowers. Although the borrowers are allowed to sell these bond securities during the covered period, they have obligations to return these bond securities to the Group at specified future dates and the maximum covered period is 179 days. The Group has determined that it retains substantially all the risks and rewards of these bond securities and therefore has not derecognised them in the consolidated financial statements.

Securitisation transactions

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to a special purpose trust which further issues asset-backed securities to investors. During the years ended 31 December 2014, 2015, and 2016, the total carrying amount as at the transfer date of credit assets transferred by the Group into the special purpose trust was nil, RMB1,037,029 thousand and nil respectively. As the Group has transferred substantially all the risks and rewards, the Group derecognised the transferred credit assets in their entirety in the securitisation transactions. As at 31 December 2014, 2015 and 2016, the corresponding total carrying amount of asset-backed securities held by the Group was nil, RMB66,851 thousand and nil respectively, which represents the Group's maximum exposure to loss.

40. INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES

The Group is principally involved with structured entities through financial investments, asset management and securitisation transactions. These structured entities generally finance the purchase of assets by issuing securities or by other means. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them. The interests held by the Group in the unconsolidated structured entities are set out below:

Structured entities sponsored by the Group

In conducting wealth management business, the Group has established various structured entities to provide customers with specialised investment opportunities within narrow and well-defined objectives. As at 31 December 2014, 2015 and 2016, the balance of the unconsolidated non-guaranteed wealth management products sponsored by the Group amounted RMB29,466,720 thousand, RMB43,038,220 thousand and RMB134,820,177 thousand respectively. During the years ended 31 December 2014, 2015, and 2016, the Group recorded commission income as the manager of these wealth management products amounting to RMB419,830 thousand, RMB816,992 thousand, and RMB320,429 thousand respectively. The gains from the unconsolidated non-guaranteed wealth management products of the Group are the same as the Bank's maximum exposure to loss from its gains in such business. The Group considered its variable returns from its involvement with the structured entities are not significant and hence it does not consolidate these structured entities.

40. INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES—continued

Structured entities sponsored by the Group—continued

For the purpose of asset-liability management, the Group's unconsolidated structured entities may raise short-term financing needs to the Group and other banks. The Group is not contractually obliged to provide financing. The Group may enter into repurchase and placement transactions with these unconsolidated structured entities in accordance with market principles. As at 31 December 2014, 2015 and 2016, the balance of the above repurchase and placement transactions was RMB3,550,000 thousand, nil and nil respectively. The maximum exposure to loss of those placements approximated the carrying amount.

In addition, unconsolidated structured entities sponsored by the Bank also include asset-backed securities. The total carrying amount of credit assets before being transferred by the Group into the unconsolidated structured entity was nil, RMB1,037,029 thousand and nil thousand up to 31 December 2014, 2015 and 2016 respectively. The portion of asset-backed securities issued by the above structured entities and held by the Group is disclosed in note 39.

Structured entities sponsored by other financial institutions

As at 31 December 2014, 2015 and 2016, the interests held by the Group and the Bank in the structured entities sponsored by other financial institutions through direct investments are set out below:

The Group and the Bank

	31 December 2014			
	Held-to-maturity investments	**Receivables**	**Total**	**Maximum exposure to loss**
Trust fund plans, asset management plans and funds	350,000	39,285,376	39,635,376	39,635,376
Wealth management products	—	1,432,000	1,432,000	1,432,000
Total	350,000	40,717,376	41,067,376	41,067,376

The Group

	31 December 2015					
	Financial assets at fair value through profit or loss	**Available-for-sale financial assets**	**Held-to-maturity investments**	**Receivables**	**Total**	**Maximum exposure to loss**
Trust fund plans, asset management plans and funds	43,823,872	13,500,000	—	47,137,059	104,460,931	104,460,931
Wealth management products	—	1,260,500	—	—	1,260,500	1,260,500
Assets-backed securities	—	169,685	39,674	—	209,359	209,359
Total	43,823,872	14,930,185	39,674	47,137,059	105,930,790	105,930,790

40. INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES—continued

Structured entities sponsored by other financial institutions—continued

The Bank

	31 December 2015					
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Receivables	Total	Maximum exposure to loss
Trust fund plans, asset management plans and funds	43,823,872	13,500,000	—	47,037,059	104,360,931	104,360,931
Wealth management products	—	1,000,000	—	—	1,000,000	1,000,000
Assets-backed securities	—	169,685	39,674	—	209,359	209,359
Total	43,823,872	14,669,685	39,674	47,037,059	105,570,290	105,570,290

The Group

	31 December 2016				
	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Receivables	Total	Maximum exposure to loss
Trust fund plans, asset management plans and funds	28,818,037	27,261,135	76,012,399	132,091,571	132,091,571
Wealth management products	—	3,201,013	—	3,201,013	3,201,013
Assets-backed securities	735,910	549,951	—	1,285,861	1,285,861
Total	29,553,947	31,012,099	76,012,399	136,578,445	136,578,445

The Bank

	31 December 2016				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Receivables	Total	Maximum exposure to loss
Trust fund plans, asset management plans and funds	28,818,037	25,566,135	76,355,634	130,739,806	130,739,806
Wealth management products	—	3,200,000	—	3,200,000	3,200,000
Assets-backed securities	735,910	549,951	—	1,285,861	1,285,861
Total	29,553,947	29,316,086	76,355,634	135,225,667	135,225,667

41. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

At the end of the Relevant Periods, the Group had capital commitments as follows:

	The Group		
	31 December		
	2014	2015	2016
Contracted, but not provided for	49,560	81,352	79,341

	The Bank		
	31 December		
	2014	2015	2016
Contracted, but not provided for	48,314	78,562	77,707

(b) Operating lease commitments

Operating lease commitments—Lessee

During the Relevant Periods, the Group and the Bank leased certain of their office properties under operating lease arrangements, and the total future minimum lease payments in respect of non-cancellable operating leases are as follows:

	The Group		
	31 December		
	2014	2015	2016
Within one year	241,654	267,123	286,361
After one year but not more than five years	755,719	884,084	863,149
After five years	337,224	307,817	257,076
	1,334,597	1,459,024	1,406,586

	The Bank		
	31 December		
	2014	2015	2016
Within one year	195,543	210,404	228,010
After one year but not more than five years	597,356	686,437	634,825
After five years	221,173	166,001	141,721
	1,014,072	1,062,842	1,004,556

(c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

41. COMMITMENTS AND CONTINGENT LIABILITIES—continued

(c) Credit commitments—continued

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limits are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognized at the end of each of the Relevant Periods had the counterparties failed to perform as contracted.

	The Group		
	31 December		
	2014	2015	2016
Bank acceptances	16,032,354	18,070,765	14,254,858
Guarantees issued	2,972,749	2,358,894	11,159,152
Letters of credit issued	11,538,893	9,206,690	4,880,321
Loan commitments (i)	63,051,943	69,286,171	76,060,474
Undrawn credit card limits	2,492,505	5,552,881	10,102,271
	96,088,444	104,475,401	116,457,076

	The Bank		
	31 December		
	2014	2015	2016
Bank acceptances	14,966,390	16,479,056	12,900,319
Guarantees issued	2,480,211	1,600,515	10,195,430
Letters of credit issued	11,538,893	9,206,690	4,880,321
Loan commitments (i)	61,380,251	66,995,248	73,031,823
Undrawn credit card limits	2,492,505	5,552,881	10,102,271
	92,858,250	99,834,390	111,110,164

(i) Loan commitments of the Group and the Bank are the unconditionally revocable loan commitments.

(d) Credit risk-weighted amount of financial guarantees and credit related commitments

	The Group		
	31 December		
	2014	2015	2016
Financial guarantees and credit related commitments	15,517,347	16,969,043	20,309,319

	The Bank		
	31 December		
	2014	2015	2016
Financial guarantees and credit related commitments	14,955,149	15,908,080	19,381,160

The credit risk-weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBRC and depends on the credit worthiness of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

41. COMMITMENTS AND CONTINGENT LIABILITIES—continued

(e) Legal proceedings

As at 31 December 2014, 2015 and 2016, the total claimed amounts of the litigation cases of which the Bank or its subsidiaries are the defendant amounted to RMB36,534 thousand, RMB31,018 thousand and RMB12,350 thousand respectively. In the opinion of management, the Bank has made adequate provisions for any probable losses based on the current facts and circumstances. The litigation cases are not expected to have a significant impact on the Bank's business, financial condition and performance.

(f) Forward purchase commitments

The Bank has committed to purchasing trust products and asset management plans in the future with a total contract amount of RMB3,618,000 thousand, RMB1,060,000 thousand and RMB200,000 thousand as at 31 December 2014, 2015 and 2016 respectively.

(g) Cooperation fund commitment

As a result of the subscription of shares in the cooperation risk fund established by Asia Financial Cooperation Association, the Bank had rescue bailout commitment to the Association members amounting to RMB90,000 thousand, RMB90,000 thousand and RMB90,000 thousand as at 31 December 2014, 2015 and 2016 respectively.

42. FIDUCIARY ACTIVITIES

	The Group		
	31 December		
	2014	2015	2016
Designated funds	(51,759,456)	(43,265,501)	(30,993,542)
Designated loans	51,759,456	43,265,501	30,993,542

	The Bank		
	31 December		
	2014	2015	2016
Designated funds	(51,296,247)	(42,306,384)	(29,302,027)
Designated loans	51,296,247	42,306,384	29,302,027

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group does not bear any risk.

The designated funds represent the funding that the trustors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the trustors.

The Group provides custody services to third parties. Revenue from such activities is included in "Net fee and commission income" set out in note 6 above. Those assets held in a fiduciary capacity are not included in the Group's consolidated statement of financial position.

43. ASSETS PLEDGED AS SECURITY

Financial assets of the Group including securities, bills and loans have been pledged as security for liabilities or contingent liabilities, mainly arising from repurchase agreements and negotiated deposits. As at 31 December 2014, 2015 and 2016, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB14,190,000 thousand, RMB6,600,665 thousand and RMB39,388,868 thousand respectively.

44. RELATED PARTY DISCLOSURES

(a) Significant related party disclosures

Details of the subsidiaries of the Bank are set out in note 1 Corporate Information and Structure.

(b) Related party transactions

(i) Transactions between the Bank and major shareholders

Major shareholders include shareholders of the Bank with a shareholding of 5% or above, or assigning a director in the Bank.

44. RELATED PARTY DISCLOSURES—continued

(b) Related party transactions—continued

(i) Transactions between the Bank and major shareholders—continued

Major transactions between the Group and its major shareholders were conducted under normal commercial terms and conditions in the ordinary course of business. Details are as follows:

	31 December		
	2014	2015	2016
Balances at end of each of the Relevant Periods:			
Loans	758,846	388,000	1,145,000
Receivables	—	600,000	860,000
Interest receivable	2,008	1,102	2,431
Deposits	234,950	330,332	345,029
Interest payable	204	19	63

	Year ended 31 December		
	2014	2015	2016
Transactions during the Relevant Periods:			
Interest income on loans	56,691	37,086	40,428
Interest expense on deposits	1,713	2,179	529
Fee and commission income	—	15,834	12,018
Interest rate ranges during the Relevant Periods are as follows:			
Loans	4.80%-6.00%	4.03%-6.00%	4.35%-6.33%
Deposits	0.35%-1.38%	0.30%-1.15%	0.30%-0.39%
Receivables	—	4.75%-5.00%	4.25%-5.00%

(ii) Transactions between the Bank and subsidiaries

There are various related party transactions that occur between the Bank and its subsidiaries. These transactions are equitable and follow regular business procedures. The material balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements. In the opinion of management, the transactions between the Bank and subsidiaries have no significant impact on profit or loss.

(iii) Transactions between the Bank and other related parties

Other related parties include the companies controlled or jointly controlled by the key management personnel and their close family members. During the Relevant Periods, the Group entered into transactions with other related parties in the ordinary course of business. Details are as follows:

	31 December		
	2014	2015	2016
Balances at end of each of the Relevant Periods:			
Loans	5,359,394	5,992,674	5,784,361
Interest receivable	12,444	11,016	9,546
Deposits	4,085,590	50,608,694	19,933,118
Interest payable	18,315	28,661	8,915

44. RELATED PARTY DISCLOSURES—continued

(b) Related party transactions—continued

(iii) Transactions between the Bank and other related parties—continued

	Year ended 31 December		
	2014	2015	2016
Transactions during the Relevant Periods:			
Interest income on loans	334,734	398,933	290,072
Interest expense on deposits	44,098	91,199	36,798
Fee and commission income	35,470	16,755	52,061
Interest rate ranges during the Relevant Periods are as follows:			
Loans	4.50%-7.21%	4.22%-7.21%	2.28%-10.00%
Deposits	0.385%-3.08%	0.30%-1.15%	0.05%-2.94%

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

(i) Transactions between the Bank and key management personnel

	Year ended 31 December		
	2014	2015	2016
Balances at end of each of the Relevant Periods:			
Loans	12,875	38,696	39,246
Interest receivable	29	71	72
Deposits	73,727	25,590	87,272
Interest payable	191	106	212

	Year ended 31 December		
	2014	2015	2016
Transactions during the Relevant Periods:			
Interest income on loans	653	1,546	1,885
Interest expense on deposits	1,036	284	253
Interest rate ranges during the Relevant Periods are as follows:			
Loans	3.59%-6.66%	2.86%-10.00%	3.43%-7.27%
Deposits	0.03%-5.225%	0.03%-5.225%	0.01%-5.40%

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is as follows:

	Year ended 31 December		
	2014	2015	2016
Emoluments and other short-term employee benefits	31,731	22,055	20,472

45. SEGMENT INFORMATION

(a) Operating segments

For management purposes, the Group is organised into four different operating segments as follows:

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporate customers. The products and services include deposits, loans, settlement and clearing and other relating to trading business.

Retail banking

The retail banking segment covers the provision of financial products and services to individual customers. The products and services include deposits, bank cards and credit cards, personal loans and collateral loans, and personal wealth management services.

Financial market business

The financial market business segment covers money market placements, investments and repurchasing, foreign exchange transactions for the Group's own accounts or on behalf of customers.

Others

This segment represents business other than corporate banking, retail banking and financial market business, whose assets, liabilities, income and expenses cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.

Inter-segment transfer price is calculated in accordance with the sources and funding period, matching the interest rates announced by the PBoC and the interbank market rates. Expenses are allocated between segments based on benefits.

45. SEGMENT INFORMATION—continued

(a) Operating segments—continued

	Corporate banking	Retail banking	Financial market business	Others	Total
Year ended 31 December 2014					
Interest income	8,377,855	4,167,466	10,814,637	—	23,359,958
Interest expense	(4,026,643)	(4,045,783)	(3,281,430)	—	(11,353,856)
Internal net interest income/ (expense)	221,389	5,186,660	(5,408,049)	—	—
NET INTEREST INCOME	**4,572,601**	**5,308,343**	**2,125,158**	**—**	**12,006,102**
Fee and commission income	774,114	653,525	461,520	—	1,889,159
Fee and commission expense	(56,948)	(57,827)	(32,096)	—	(146,871)
NET FEE AND COMMISSION INCOME	**717,166**	**595,698**	**429,424**	**—**	**1,742,288**
Net trading income	—	—	94,335	—	94,335
Net gains on financial investments	—	—	858	1,447	2,305
Other income, gains or losses	20,824	36,056	—	(43,119)	13,761
OPERATING INCOME	**5,310,591**	**5,940,097**	**2,649,775**	**(41,672)**	**13,858,791**
Operating expenses	(1,760,456)	(2,713,808)	(729,068)	(78,662)	(5,281,994)
Impairment losses on assets	(1,085,906)	(436,045)	—	—	(1,521,951)
PROFIT BEFORE TAX	**2,464,229**	**2,790,244**	**1,920,707**	**(120,334)**	**7,054,846**
Income tax expense					(1,573,451)
PROFIT FOR THE YEAR					**5,481,395**
Other segment information:					
Depreciation and amortisation	153,607	279,663	28,748	29,868	491,886
Capital expenditure	122,401	202,990	59,718	5,660	390,769
As at 31 December 2014					
Segment assets	119,294,271	63,800,876	281,985,815	1,526,657	466,607,619
Segment liabilities	(173,482,611)	(188,543,119)	(71,935,122)	(59,999)	(434,020,851)
Other segment information:					
Credit commitments	87,011,639	9,076,805	—	—	96,088,444

45. SEGMENT INFORMATION—continued

(a) Operating segments—continued

	Corporate banking	Retail banking	Financial market business	Others	Total
Year ended 31 December 2015					
Interest income	8,897,202	4,851,343	10,338,721	—	24,087,266
Interest expense	(5,126,675)	(4,429,908)	(2,934,798)	—	(12,491,381)
Internal net interest income/ (expense)	743,439	5,012,666	(5,756,105)	—	—
NET INTEREST INCOME	**4,513,966**	**5,434,101**	**1,647,818**	**—**	**11,595,885**
Fee and commission income	1,419,657	782,926	844,871	—	3,047,454
Fee and commission expense	(67,579)	(68,990)	(21,274)	—	(157,843)
NET FEE AND COMMISSION INCOME	**1,352,078**	**713,936**	**823,597**	**—**	**2,889,611**
Net trading income	—	—	550,861	—	550,861
Net gains on financial investments	—	—	956,748	1,745	958,493
Other income, gains or losses	110,516	13,346	—	94,434	218,296
OPERATING INCOME	**5,976,560**	**6,161,383**	**3,979,024**	**96,179**	**16,213,146**
Operating expenses	(1,867,580)	(2,874,691)	(828,600)	(202,274)	(5,773,145)
Impairment losses on assets	(2,582,965)	(1,062,621)	(364,810)	(500)	(4,010,896)
PROFIT BEFORE TAX	**1,526,015**	**2,224,071**	**2,785,614**	**(106,595)**	**6,429,105**
Income tax expense					(1,428,765)
PROFIT FOR THE YEAR					**5,000,340**
Other segment information:					
Depreciation and amortisation	156,841	295,544	30,795	43,605	526,785
Capital expenditure	117,695	218,689	64,977	16,072	417,433
As at 31 December 2015					
Segment assets	145,077,117	74,040,670	361,498,338	2,191,075	582,807,200
Segment liabilities	(200,101,576)	(201,115,074)	(145,728,991)	(165,429)	(547,111,070)
Other segment information:					
Credit commitments	91,625,504	12,849,897	—	—	104,475,401

45. SEGMENT INFORMATION—continued

(a) Operating segments—continued

	Corporate banking	Retail banking	Financial market business	Others	Total
Year ended 31 December 2016					
Interest income	8,040,071	4,449,824	10,895,623	—	23,385,518
Interest expense	(4,254,470)	(3,551,889)	(4,908,339)	—	(12,714,698)
Internal net interest income/(expense)	924,198	4,178,468	(5,102,666)	—	—
NET INTEREST INCOME	**4,709,799**	**5,076,403**	**884,618**	**—**	**10,670,820**
Fee and commission income	1,915,495	927,254	349,887	—	3,192,636
Fee and commission expense	(90,154)	(78,493)	(47,601)	—	(216,248)
NET FEE AND COMMISSION INCOME	**1,825,341**	**848,761**	**302,286**	**—**	**2,976,388**
Net trading income	—	—	986,404	—	986,404
Net gains on financial investments	—	—	449,023	1,784	450,807
Other income, gains or losses	82,679	46,589	(605)	26,706	155,369
OPERATING INCOME	**6,617,819**	**5,971,753**	**2,621,726**	**28,490**	**15,239,788**
Operating expenses	(1,672,704)	(2,904,911)	(721,260)	(158,310)	(5,457,185)
Impairment losses on assets	(2,069,860)	(1,594,241)	402,712	1,632	(3,259,757)
PROFIT BEFORE TAX	**2,875,255**	**1,472,601**	**2,303,178**	**(128,188)**	**6,522,846**
Income tax expense					(1,416,500)
PROFIT FOR THE YEAR					**5,106,346**
Other segment information:					
Depreciation and amortisation	150,254	296,757	48,858	38,999	534,868
Capital expenditure	134,985	217,830	31,488	12,387	396,690
As at 31 December 2016					
Segment assets	153,545,406	82,080,607	421,931,767	3,393,335	660,951,115
Segment liabilities	(231,761,407)	(211,930,088)	(179,335,150)	(84,767)	(623,111,412)
Other segment information:					
Credit commitments	99,105,019	17,352,057	—	—	116,457,076

45. SEGMENT INFORMATION—continued

(b) Geographic information

The Bank mainly operates in Guangdong Province, China. The main clients and non-current assets are located in Guangdong Province, China.

46. FINANCIAL RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

The Board of Directors of the Group is responsible for setting the Group's overall risk tolerance, risk management and internal control strategies, supervising and ensuring that senior management performs risk management duties effectively. The Group has a Related Party Transactions and Risk Management Committee under the Board of Directors, which is responsible for monitoring the risk management of senior management, regularly evaluating the Group's situation of risk management, risk tolerance ability and level, and taking case precautions against, reviewing and controlling the significant related party transactions. The Board of Supervisors is responsible for inspecting the Group's risk management and taking case precautions against, comprehensively evaluating the risk management performance of the directors and senior management. Senior management is responsible for executing the policies of risk management and internal control approved by the Board of Directors, developing the specific rules and regulations of risk management. The Group has a Compliance and Risk Management Committee under senior management, which is responsible for reviewing the Group's significant matters of compliance and risk management.

The Compliance and Risk Management Department is the lead department of overall risk management, responsible for overall planning and coordination of risk management. The Credit Management Center, Assets Monitoring Center, Financial Market Business Management Department, Legal and Compliance Department and Financial and Accounting Department are responsible for leading managing credit risk, market risk, operation risk and liquidity risk. The Internal Audit Department is responsible for supervising, inspecting, evaluating and reporting the risk management's effect independently and objectively.

(a) Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The major credit risk of the Group comes from loans and advances to customers, investment portfolio, commitments and other on-balance sheet and off-balance sheet credit risk exposures.

The Group measures and manages the credit risk of its credit assets through the five-category system based on the "Guideline of Risks based Classification of Loan" (the "Guideline") issued by the CBRC. The Guideline requires commercial banks to classify their credit assets into five categories, namely normal, special-mention, sub-standard, doubtful and loss categories.

The five categories are defined by the Guideline as follows:

Normal: loans for which borrowers can honor the terms of the contracts, and there is no reason to doubt their ability to repay principal and interest of loans in full and on a timely basis.

Special mention: loans for which borrowers are still able to service the loans currently, although the repayment of loans might be adversely affected by some factors.

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

Substandard: loans for which borrowers' ability to service loans is apparently in question and borrowers cannot depend on their normal business revenues to pay back the principal and interest of loans. Certain losses might be incurred by the Group even when guarantees are executed.

Doubtful: loans for which borrowers cannot pay back principal and interest of loans in full and significant losses will be incurred by the Group even when guarantees are executed.

Loss: principal and interest of loans cannot be recovered or only a small portion can be recovered after taking all possible measures and resorting to necessary legal procedures.

The Group exercises standardized credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and management. The Group enhances its credit risk management by strict compliance with its credit management procedures to identify, measure, monitor and manage the potential credit risk, which includes:

- strengthening customer investigation, lending approval and post lending monitoring;
- setting up authorisation limits over loan review and approval;
- establishing the internal assessment system in respect of the credit rating towards different kinds of customers, as the fundamental procedures for granting credit;
- setting up the authority limit over risk classification of credit assets. Review periodically and update risk classification of credit assets, and carry out on-site sample review and off-site review to monitor the risk; and
- implementing and continuously upgrading the Credit Management System based on the requirements of risk management, developing and popularising various risk management tools.

In respect of the corporate loans, credit managers of the Group are responsible for accepting application from the applicants, carrying out credit investigation and making recommendations on credit rating through credit risk assessment of the applicants and their business. According to the authority limit over credit review and approval, applications will be assessed and authorised at the branch level or/and head office level. The credit limit will be determined based on assessment of the factors including the applicant's credit rating, financial position, collateral and guarantee, the overall credit risk of the portfolio, macro-economic policies, and restriction imposed by laws and regulations. The Group minimise losses over credit risk through: (1) collecting; (2) restructuring; (3) repossessing the collateral or resourcing from the guarantor; (4) seeking arbitration or pursuing lawsuits; and (5) written off according to relevant regulations.

Apart from the credit risk exposures on credit-related assets and deposits with banks and other financial institutions, the credit risk arising from treasury business is managed by selecting counterparties with acceptable credit quality, centralized trading and setting the authorisation limit. In addition, the Group also provides financial guarantee service to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the contract. Risks arising from financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management procedures and policies. Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate guarantee, commitment or investment of funds. Credit risk affecting the Group is primarily due to loans, debt instruments, guarantees, commitments as well as other risks both on and off the balance sheet.

Impairment assessment

Key factors in impairment assessment

The accounting policies regarding the Group's estimation of financial asset impairment of the Group are set out in note 3 (3) "Impairment of financial assets".

Regarding the debt investment, the Group assesses its impairment at the end of each of the Relevant Periods on individual and collective bases.

Individual assessment

The Group assesses whether objective evidence of impairment exists individually for corporate loans and discounted bills that are individually significant, and an impairment loss is estimated based on such individual assessment.

If there is objective evidence that an impairment loss on loans and advances has been incurred on an individual basis, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the credit asset's original effective interest rate. The allowance for the impairment loss is deducted in the carrying amount. In determining the allowance on an individual basis, the following factors are considered:

- the sustainability of the counterparty's business plan;
- its ability to improve performance once a financial difficulty has arisen;
- projected receipts and the expected dividend payout should bankruptcy ensue;
- the availability of other financial support and the realisable value of collateral; and
- the timing of the expected cash inflows.

Collective assessment

The loans that are assessed for impairment losses on a collective basis include the following:

- corporate loans that are individually insignificant;
- homogeneous groups of loans of similar credit risk, including all personal loans; and
- all loans for which no impairment can be identified individually, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows.

For the purpose of collective assessment, assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

Collateral

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level, the most typical of these is by obtaining collateral and guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of borrowers. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

- personal mortgage loans are generally collateralised by mortgages over residential properties;
- other personal lending and corporate loans and advances are mainly collateralised by charges over land and properties and other assets of the borrowers; and
- reverse repurchase transactions are mainly collateralised by bonds, bills or receivables under finance leases.

Corporate loans are mainly collateralised by properties or other assets. Personal loans are mainly collateralised by residential properties. The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

Risk concentration

Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. In addition, different industrial sectors and geographic areas have their unique characteristics in terms of economic development, and could present a different credit risk.

The Group's main operation is within Guangdong Province. For additional information about the analysis of concentration of loans and advances to customers by industry, please refer to Note 46(a)(ii).

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

As at the end of each of the Relevant Periods, the maximum credit risk exposure of the Group without taking account of any collateral and other credit enhancements is set out below:

	The Group		
	31 December		
	2014	2015	2016
Balances with central bank	75,706,769	79,333,788	79,687,717
Deposits with banks and other financial institutions	32,226,367	49,481,651	18,380,847
Placements with banks and other financial institutions	10,940,000	1,687,468	3,910,819
Financial assets at fair value through profit or loss	1,469,756	51,810,457	35,980,378
Reverse repurchase agreements	60,960,963	34,176,657	79,963,092
Loans and advances to customers	180,720,304	216,779,764	237,934,771
Financial investments			
—Receivables	40,717,376	47,137,059	76,012,399
—Held-to-maturity investments	8,551,146	18,433,575	25,782,157
—Available-for-sale financial assets	45,459,171	72,123,286	88,278,361
Others	2,423,051	3,841,432	5,512,428
Subtotal	459,174,903	574,805,137	651,442,969
Forward purchase commitments	3,618,000	1,060,000	200,000
Credit commitments	96,088,444	104,475,401	116,457,076
Total maximum credit risk exposure	558,881,347	680,340,538	768,100,045

As at the end of each of the Relevant Periods, the maximum credit risk exposure of the Bank without taking account of any collateral and other credit enhancements is set out below:

	The Bank		
	31 December		
	2014	2015	2016
Balances with central bank	73,467,380	76,567,211	74,694,107
Deposits with banks and other financial institutions	30,482,732	42,656,613	11,249,032
Placements with banks and other financial institutions	10,940,000	1,632,468	2,605,819
Financial assets at fair value through profit or loss	1,469,756	51,810,457	35,980,378
Reverse repurchase agreements	60,960,963	34,176,657	79,963,092
Loans and advances to customers	169,608,206	195,180,252	209,357,044
Financial investments			
—Receivables	40,717,376	47,037,059	75,927,399
—Held-to-maturity investments	8,551,146	18,433,575	25,782,157
—Available-for-sale financial assets	45,459,171	71,862,786	86,582,348
Others	2,364,406	3,752,268	5,218,857
Subtotal	444,021,136	543,109,346	607,360,233
Forward purchase commitments	3,618,000	1,060,000	200,000
Credit commitments	92,858,250	99,834,390	111,110,164
Total maximum credit risk exposure	540,497,386	644,003,736	718,670,397

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(ii) Risk concentrations

By industry

The credit risk exposures of the Group mainly comprise loans and advances to customers, amounts due from banks and other financial institutions and financial investments. Details of the composition of the Group's amounts due from banks and other financial institutions are set out in Note 46(a)(iv), and the Group's financial investments are set out in Note 46(a)(v) to the financial statements. The composition of the Group's and of the Bank's gross loans and advances to customers by industry is analysed as follows:

The Group

	31 December 2014		
	Amount	Percentage	Loans and advances secured by collateral
Loans and advances to customers:			
Agriculture, forestry, animal husbandry and fishing	1,965,226	1.06%	1,407,306
Mining	310,933	0.17%	41,368
Manufacturing	20,739,521	11.15%	17,331,243
Production and supply of electricity, gas and water	835,253	0.45%	269,531
Construction	6,591,871	3.54%	5,227,877
Transportation, storage and postal services	5,685,336	3.06%	2,435,394
Information transmission, computer services and software	2,200,924	1.18%	1,537,633
Wholesale and retail trades	25,056,312	13.47%	21,027,535
Accommodation and catering	6,075,396	3.27%	4,305,465
Finance	3,002,844	1.61%	1,321,036
Real estate	16,712,133	8.98%	14,372,536
Leasing and commercial services	15,905,285	8.55%	12,750,783
Scientific research, technological services and geological prospecting	170,435	0.09%	61,181
Water, environment and public utility management	8,819,409	4.74%	2,769,919
Resident, repair and other services	2,849,048	1.53%	1,611,938
Education	1,760,095	0.95%	1,686,496
Health, social security and social welfare	140,208	0.08%	94,595
Culture, sports and entertainment	271,450	0.15%	157,526
Public administration and social organisations	679,409	0.37%	369,877
Subtotal for corporate loans and advances	119,771,088	64.40%	88,779,239
Personal loans	61,649,923	33.15%	50,269,357
Discounted bills	4,560,402	2.45%	3,723,802
Total for loans and advances to customers	185,981,413	100.00%	142,772,398

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(ii) Risk concentrations—continued

By industry—continued

The Group—continued

	31 December 2015		
	Amount	Percentage	Loans and advances secured by collateral
Loans and advances to customers:			
Agriculture, forestry, animal husbandry and fishing	3,664,841	1.64%	2,419,914
Mining	388,534	0.17%	293,616
Manufacturing	23,636,846	10.57%	18,034,860
Production and supply of electricity, gas and water	1,467,389	0.66%	429,088
Construction	9,175,778	4.10%	6,747,120
Transportation, storage and postal services	6,952,606	3.11%	3,102,969
Information transmission, computer services and software	4,178,575	1.87%	3,494,528
Wholesale and retail trades	29,916,719	13.38%	25,274,214
Accommodation and catering	6,941,006	3.10%	5,364,530
Finance	3,289,497	1.47%	1,619,496
Real estate	18,946,800	8.45%	17,433,412
Leasing and commercial services	20,148,337	9.01%	15,809,855
Scientific research, technological services and geological prospecting	112,372	0.05%	108,831
Water, environment and public utility management	8,579,134	3.84%	3,271,167
Resident, repair and other services	3,123,468	1.40%	1,954,572
Education	2,244,105	1.00%	1,948,400
Health, social security and social welfare	1,738,530	0.78%	485,240
Culture, sports and entertainment	1,289,853	0.58%	1,228,091
Public administration and social organisations	626,556	0.28%	404,672
Subtotal for corporate loans and advances	146,420,946	65.46%	109,424,575
Personal loans	72,679,719	32.50%	56,234,755
Discounted bills	4,558,394	2.04%	4,060,661
Total for loans and advances to customers	223,659,059	100.00%	169,719,991

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(ii) Risk concentrations—continued

By industry—continued

The Group—continued

	31 December 2016		
	Amount	Percentage	Loans and advances secured by collateral
Loans and advances to customers:			
Agriculture, forestry, animal husbandry and fishing	4,347,044	1.77%	2,550,984
Mining	695,311	0.28%	497,897
Manufacturing	23,679,202	9.63%	16,805,544
Production and supply of electricity, gas and water	2,060,304	0.84%	962,700
Construction	9,875,543	4.02%	5,277,488
Transportation, storage and postal services	6,453,985	2.62%	3,498,820
Information transmission, computer services and software	2,950,044	1.20%	2,398,120
Wholesale and retail trades	25,937,735	10.56%	20,611,352
Accommodation and catering	7,551,007	3.07%	5,945,767
Finance	2,756,965	1.12%	1,514,659
Real estate	24,790,735	10.08%	20,905,841
Leasing and commercial services	24,014,817	9.77%	16,648,394
Scientific research, technological services and geological prospecting	450,582	0.18%	100,463
Water, environment and public utility management	8,059,176	3.28%	3,142,327
Resident, repair and other services	2,187,686	0.89%	1,937,338
Education	2,563,903	1.04%	2,241,577
Health, social security and social welfare	2,494,498	1.01%	921,663
Culture, sports and entertainment	1,622,286	0.66%	1,600,166
Public administration and social organisations	76,167	0.03%	12,469
Subtotal for corporate loans and advances	152,566,990	62.05%	107,573,569
Personal loans	81,328,237	33.07%	61,356,429
Discounted bills	11,996,069	4.88%	9,365,304
Total for loans and advances to customers	245,891,296	100.00%	178,295,302

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(ii) Risk concentrations—continued

By industry—continued

The Bank

	31 December 2014		
	Amount	Percentage	Loans and advances secured by collateral
Loans and advances to customers:			
Agriculture, forestry, animal husbandry and fishing	1,159,051	0.66%	1,111,912
Mining	284,333	0.16%	27,768
Manufacturing	18,614,517	10.67%	16,402,402
Production and supply of electricity, gas and water	757,256	0.43%	257,233
Construction	6,054,979	3.47%	4,877,409
Transportation, storage and postal services	5,505,136	3.15%	2,350,494
Information transmission, computer services and software	2,192,624	1.26%	1,529,333
Wholesale and retail trades	23,753,507	13.61%	20,519,384
Accommodation and catering	5,876,833	3.37%	4,181,902
Finance	3,002,844	1.72%	1,321,036
Real estate	16,660,332	9.54%	14,339,536
Leasing and commercial services	15,733,421	9.02%	12,660,801
Scientific research, technological services and geological prospecting	163,935	0.09%	54,681
Water, environment and public utility management	8,646,909	4.95%	2,746,719
Resident, repair and other services	2,796,548	1.60%	1,586,638
Education	1,624,881	0.93%	1,581,281
Health, social security and social welfare	133,208	0.08%	87,595
Culture, sports and entertainment	243,450	0.15%	157,526
Public administration and social organisations	672,907	0.39%	363,377
Subtotal for corporate loans and advances	113,876,671	65.25%	86,157,027
Personal loans	56,127,347	32.16%	46,746,245
Discounted bills	4,514,936	2.59%	3,696,192
Total for loans and advances to customers	174,518,954	100.00%	136,599,464

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(ii) Risk concentrations—continued

By industry—continued

The Bank—continued

	31 December 2015		
	Amount	Percentage	Loans and advances secured by collateral
Loans and advances to customers:			
Agriculture, forestry, animal husbandry and fishing	2,084,151	1.04%	2,042,936
Mining	194,480	0.10%	114,562
Manufacturing	20,284,075	10.08%	16,721,854
Production and supply of electricity, gas and water	733,119	0.36%	329,626
Construction	8,363,715	4.16%	6,236,526
Transportation, storage and postal services	5,574,659	2.77%	2,223,451
Information transmission, computer services and software	4,015,375	2.00%	3,466,950
Wholesale and retail trades	28,364,879	14.10%	24,399,946
Accommodation and catering	6,748,203	3.35%	5,207,180
Finance	3,016,553	1.50%	1,366,552
Real estate	18,706,288	9.30%	17,199,899
Leasing and commercial services	19,827,106	9.86%	15,631,898
Scientific research, technological services and geological prospecting	106,182	0.05%	102,641
Water, environment and public utility management	8,374,687	4.16%	3,215,777
Resident, repair and other services	3,001,156	1.49%	1,902,263
Education	2,015,552	1.00%	1,769,846
Health, social security and social welfare	149,735	0.07%	109,370
Culture, sports and entertainment	258,162	0.13%	228,251
Public administration and social organisations	620,055	0.31%	398,172
Subtotal for corporate loans and advances	132,438,132	65.83%	102,667,700
Personal loans	64,308,588	31.97%	50,603,648
Discounted bills	4,421,737	2.20%	4,009,794
Total for loans and advances to customers	201,168,457	100.00%	157,281,142

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(ii) Risk concentrations—continued

By industry—continued

The Bank—continued

	31 December 2016		
	Amount	Percentage	Loans and advances secured by collateral
Loans and advances to customers:			
Agriculture, forestry, animal husbandry and fishing	2,218,664	1.03%	1,501,068
Mining	412,259	0.19%	356,821
Manufacturing	20,145,981	9.32%	15,225,530
Production and supply of electricity, gas and water	604,401	0.28%	270,271
Construction	8,414,284	3.89%	4,651,381
Transportation, storage and postal services	5,379,186	2.49%	2,918,050
Information transmission, computer services and software	2,710,957	1.25%	2,308,585
Wholesale and retail trades	23,882,373	11.05%	19,392,888
Accommodation and catering	7,350,209	3.40%	5,781,358
Finance	2,591,652	1.20%	1,359,346
Real estate	24,135,654	11.17%	20,280,543
Leasing and commercial services	23,474,157	10.86%	16,487,839
Scientific research, technological services and geological prospecting	318,573	0.15%	90,073
Water, environment and public utility management	7,816,660	3.62%	3,090,027
Resident, repair and other services	1,939,558	0.90%	1,817,180
Education	1,681,731	0.78%	1,431,836
Health, social security and social welfare	434,793	0.20%	338,856
Culture, sports and entertainment	249,380	0.12%	244,510
Public administration and social organisations	34,767	0.02%	7,669
Subtotal for corporate loans and advances	133,795,239	61.92%	97,553,831
Personal loans	70,636,326	32.69%	54,485,854
Discounted bills	11,642,934	5.39%	9,099,220
Total for loans and advances to customers	216,074,499	100.00%	186,309,099

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(ii) Risk concentrations—continued

By industry—continued

Details of impaired loans in respect of industry sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

The Group

	31 December 2014						
				Allowance			
	Gross amount	Impaired loans	Overdue loans	Individually assessed	Collectively assessed	Provision charged for the year	Write-off for the year
Manufacturing	20,739,521	467,732	714,515	136,755	518,871	234,631	71,385
Wholesale and retail trades	25,056,312	1,531,338	1,711,405	702,113	590,879	618,656	269,274

	31 December 2015						
				Allowance			
	Gross amount	Impaired loans	Overdue loans	Individually assessed	Collectively assessed	Provision charged for the year	Write-off for the year
Manufacturing	23,636,846	717,655	1,145,703	272,417	618,679	547,604	342,672
Wholesale and retail trades	29,916,719	1,320,663	2,135,643	653,842	667,484	1,014,377	996,020

	31 December 2016						
				Allowance			
	Gross amount	Impaired loans	Overdue loans	Individually assessed	Collectively assessed	Provision charged for the year	Write-off for the year
Real estate	24,790,735	—	544,915	—	526,965	200,161	195,938
Wholesale and retail trades	25,937,735	1,009,908	2,173,787	637,076	550,622	1,093,928	1,316,928

The Bank

	31 December 2014						
				Allowance			
	Gross amount	Impaired loans	Overdue loans	Individually assessed	Collectively assessed	Provision charged for the year	Write-off for the year
Manufacturing	18,614,517	431,720	577,770	126,146	458,007	198,669	67,385
Wholesale and retail trades	23,753,507	1,505,154	1,682,075	696,168	552,282	595,390	269,274

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(ii) Risk concentrations—continued

By industry—continued

The Bank—continued

	31 December 2015						
				Allowance			
	Gross amount	Impaired loans	Overdue loans	Individually assessed	Collectively assessed	Provision charged for the year	Write-off for the year
Manufacturing	20,284,075	589,088	896,779	209,723	504,953	426,953	326,967
Wholesale and retail trades	28,364,879	1,242,202	2,010,415	618,181	606,346	960,620	994,520

	31 December 2016						
				Allowance			
	Gross amount	Impaired loans	Overdue loans	Individually assessed	Collectively assessed	Provision charged for the year	Write-off for the year
Real estate	24,135,654	—	544,915	—	510,054	183,853	195,938
Wholesale and retail trades	23,882,373	939,545	2,064,454	600,269	474,063	1,057,830	1,299,950

(iii) Loans and advances to customers

The total credit risk exposures of loans and advances to customers are summarised as follows:

	The Group		
	31 December		
	2014	2015	2016
Neither past due nor impaired	181,439,842	214,891,371	237,114,635
Past due but not impaired	1,672,426	4,739,741	4,321,127
Impaired	2,869,145	4,027,947	4,455,534
Subtotal	185,981,413	223,659,059	245,891,296
Less: Allowance for impairment losses			
Collectively assessed	(4,308,628)	(5,701,475)	(6,722,629)
Individually assessed	(952,481)	(1,177,820)	(1,233,896)
Subtotal	(5,261,109)	(6,879,295)	(7,956,525)
	180,720,304	216,779,764	237,934,771

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(iii) Loans and advances to customers—continued

	The Bank		
	31 December		
	2014	2015	2016
Neither past due nor impaired	170,226,431	193,223,536	208,240,219
Past due but not impaired	1,539,330	4,332,716	3,892,812
Impaired	2,753,193	3,612,205	3,941,468
Subtotal	174,518,954	201,168,457	216,074,499
Less: Allowance for impairment losses			
Collectively assessed	(3,994,853)	(5,009,990)	(5,729,579)
Individually assessed	(915,895)	(978,215)	(987,876)
Subtotal	(4,910,748)	(5,988,205)	(6,717,455)
	169,608,206	195,180,252	209,357,044

Neither past due nor impaired

Management of the Group considers that these loans are exposed to normal business risk and there was no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the end of each of the Relevant Periods.

The following table presents the types of loans and advances to customers which are neither past due nor impaired as at the end of each of the Relevant Periods:

The Group

	31 December 2014			31 December 2015		
	Normal	Special Mention	Total	Normal	Special Mention	Total
Unsecured loans	12,619,588	285,882	12,905,470	15,357,488	285,592	15,643,080
Guaranteed loans	25,669,581	3,457,249	29,126,830	32,893,757	2,764,287	35,658,044
Loans secured by mortgages	117,280,355	3,782,424	121,062,779	129,784,271	2,770,551	132,554,822
Pledged loans	18,330,162	14,601	18,344,763	30,866,233	169,192	31,035,425
	173,899,686	7,540,156	181,439,842	208,901,749	5,989,622	214,891,371

	31 December 2016		
	Normal	Special Mention	Total
Unsecured loans	21,590,966	285,929	21,876,895
Guaranteed loans	40,173,565	2,521,207	42,694,772
Loans secured by mortgages	144,672,176	2,711,521	147,383,697
Pledged loans	24,802,839	356,432	25,159,271
	231,239,546	5,875,089	237,114,635

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(iii) Loans and advances to customers—continued

Neither past due nor impaired —continued

The Bank

	31 December 2014			31 December 2015		
	Normal	Special Mention	Total	Normal	Special Mention	Total
Unsecured loans	12,530,251	285,717	12,815,968	13,511,875	285,090	13,796,965
Guaranteed loans	20,700,885	3,370,034	24,070,919	25,310,154	2,556,644	27,866,798
Loans secured by mortgages	112,609,220	3,674,351	116,283,571	121,924,608	2,662,167	124,586,775
Pledged loans	17,041,375	14,598	17,055,973	26,812,810	160,188	26,972,998
	162,881,731	7,344,700	170,226,431	187,559,447	5,664,089	193,223,536

	31 December 2016		
	Normal	Special Mention	Total
Unsecured loans	19,325,098	284,102	19,609,200
Guaranteed loans	30,485,897	2,236,149	32,722,046
Loans secured by mortgages	131,713,430	2,519,611	134,233,041
Pledged loans	21,333,230	342,702	21,675,932
	202,857,655	5,382,564	208,240,219

Past due but not impaired

The following tables present the aging analysis of each type of loans and advances to customers of the Group and the Bank that are subject to credit risk and are past due but not impaired as at the end of each of the Relevant Periods:

The Group

	31 December 2014			31 December 2015		
	Corporate loans and advances	Personal loans	Total	Corporate loans and advances	Personal loans	Total
Past due for:						
Less than one month	490,295	621,030	1,111,325	632,847	835,492	1,468,339
One to two months	180,162	203,438	383,600	488,473	449,162	937,635
Two to three months	27,358	115,108	142,466	1,228,819	325,240	1,554,059
Over three months	33,522	1,513	35,035	626,549	153,159	779,708
	731,337	941,089	1,672,426	2,976,688	1,763,053	4,739,741
Fair value of collateral held	1,047,696	1,748,030	2,795,726	2,648,056	2,733,770	5,381,826

	31 December 2016		
	Corporate loans and advances	Personal loans	Total
Past due for:			
Less than one month	1,848,668	616,397	2,465,065
One to two months	213,597	321,691	535,288
Two to three months	326,110	226,805	552,915
Over three months	740,806	27,053	767,859
	3,129,181	1,191,946	4,321,127
Fair value of collateral held	5,029,852	1,587,983	6,617,835

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(iii) Loans and advances to customers—continued

Past due but not impaired—continued

The Bank

	31 December 2014			31 December 2015		
	Corporate loans and advances	Personal loans	Total	Corporate loans and advances	Personal loans	Total
Past due for:						
Less than one month	451,428	604,880	1,056,308	573,840	715,959	1,289,799
One to two months	125,496	209,587	335,083	436,559	408,905	845,464
Two to three months	25,179	114,650	139,829	1,198,078	314,250	1,512,328
Over three months	8,110	—	8,110	553,533	131,592	685,125
	610,213	929,117	1,539,330	2,762,010	1,570,706	4,332,716
Fair value of collateral held	980,759	1,723,009	2,703,768	2,466,338	2,530,464	4,996,802

	31 December 2016		
	Corporate loans and advances	Personal loans	Total
Past due for:			
Less than one month	1,737,528	510,529	2,248,057
One to two months	160,581	266,907	427,488
Two to three months	285,006	207,038	492,044
Over three months	717,520	7,703	725,223
	2,900,635	992,177	3,892,812
Fair value of collateral held	4,758,958	1,269,026	6,207,984

Impaired

Impaired loans and advances are defined as those loans and advances have objective evidence of impairment as a result of one or more events that occurred after initial recognition and that event has an impact on the estimated future cash flows of loans and advances that can be reliably estimated.

The fair values of collateral that the Group held relating to loans determined to be impaired as at 31 December 2014, 2015 and 2016 amounted to RMB4,775,338 thousand, RMB3,306,580 thousand and RMB3,437,042 thousand respectively. The collateral mainly consists of land, buildings and equipment.

Rescheduled loans and advances

Rescheduled loans and advances arise from rescheduling or deferring the repayment terms. Rescheduled loans and advances are under continuous monitoring by the Group.

The contractual amount of rescheduled loans and advances for the Group as at 31 December 2014, 2015 and 2016 was RMB3,085,523 thousand, RMB4,038,192 thousand and RMB3,673,963 thousand respectively.

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(iv) Amounts due from banks and other financial institutions

The Group executes regular review and management of credit risk related to individual financial institutions, and sets credit limits for individual banks and other financial institutions that it conducts business with. The balances due from banks and other financial institutions are as follows:

	The Group		
	31 December		
	2014	2015	2016
Neither past due nor impaired	104,127,330	85,345,776	102,254,758
Impaired	513,135	513,135	—
	104,640,465	85,858,911	102,254,758
Less: Allowance for impairment losses	(513,135)	(513,135)	—
	104,127,330	85,345,776	102,254,758

	The Bank		
	31 December		
	2014	2015	2016
Neither past due nor impaired	102,383,695	78,465,738	93,817,943
Impaired	513,135	513,135	—
	102,896,830	78,978,873	93,817,943
Less: Allowance for impairment losses	(513,135)	(513,135)	—
	102,383,695	78,465,738	93,817,943

Neither past due nor impaired

	The Group		
	31 December		
	2014	2015	2016
Deposits with banks and other financial institutions	32,226,367	49,481,651	18,380,847
Placements with banks and other financial institutions	10,940,000	1,687,468	3,910,819
Reverse repurchase agreements	60,960,963	34,176,657	79,963,092
	104,127,330	85,345,776	102,254,758

	The Bank		
	31 December		
	2014	2015	2016
Deposits with banks and other financial institutions	30,482,732	42,656,613	11,249,032
Placements with banks and other financial institutions	10,940,000	1,632,468	2,605,819
Reverse repurchase agreements	60,960,963	34,176,657	79,963,092
	102,383,695	78,465,738	93,817,943

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(iv) Amounts due from banks and other financial institutions—continued

Impaired

	The Group and the Bank		
	31 December		
	2014	2015	2016
Placements with banks and other financial institutions	513,135	513,135	—

(v) Debt instruments

The credit risk of debt instruments mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt instruments by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's and the Bank's total credit risk exposures of debt instruments by types of issuers and investments:

	The Group		
	31 December		
	2014	2015	2016
Neither past due nor impaired	94,917,449	187,112,725	224,699,057
Past due but not impaired	1,280,000	300,000	—
Impaired	—	2,450,000	1,782,473
Subtotal	96,197,449	189,862,725	226,481,530
Less: Allowance for impairment losses	—	(358,348)	(428,235)
	96,197,449	189,504,377	226,053,295

	The Bank		
	31 December		
	2014	2015	2016
Neither past due nor impaired	94,917,449	186,752,225	222,918,044
Past due but not impaired	1,280,000	300,000	—
Impaired	—	2,450,000	1,782,473
Subtotal	96,197,449	189,502,225	224,700,517
Less: Allowance for impairment losses	—	(358,348)	(428,235)
	96,197,449	189,143,877	224,272,282

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(v) Debt instruments—continued

Neither past due nor impaired

The Group and the Bank

31 December 2014	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Government	—	2,820,636	22,601,467	29,862	25,451,965
Financial institutions					
—Policy banks	—	4,730,445	10,261,807	758,634	15,750,886
—Other banks and non-bank financial institutions	—	700,066	4,184,927	441,010	5,326,003
Corporate	—	299,999	8,359,916	240,250	8,900,165
Funds and others	—	—	—	—	—
Other financial assets, at cost	—	—	51,054	—	51,054
Wealth management products issued by other financial institutions	1,432,000	—	—	—	1,432,000
Trust fund plans and asset management plans	38,005,376	—	—	—	38,005,376
Total	39,437,376	8,551,146	45,459,171	1,469,756	94,917,449

The Group

31 December 2015	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Government	—	7,673,493	18,383,749	344,879	26,402,121
Financial institutions					
—Policy banks	—	6,199,119	22,508,890	5,310,237	34,018,246
—Other banks and non-bank financial institutions	—	4,184,812	6,122,727	1,299,533	11,607,072
Corporate	—	379,951	10,296,366	1,031,936	11,708,253
Funds and others	—	—	14,760,500	43,823,872	58,584,372
Other financial assets, at cost	—	—	51,054	—	51,054
Trust fund plans and asset management plans	44,741,607	—	—	—	44,741,607
Total	44,741,607	18,437,375	72,123,286	51,810,457	187,112,725

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(v) Debt instruments—continued

Neither past due nor impaired—continued

The Group—continued

31 December 2016	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Government	—	8,050,822	12,801,575	187,701	21,040,098
Financial institutions					
—Policy banks	—	11,285,893	35,984,691	1,456,474	48,727,058
—Other banks and non-bank financial institutions	—	6,445,442	3,691,477	2,316,380	12,453,299
Corporate	—	—	5,287,416	2,997,459	8,284,875
Funds and others	—	—	30,462,148	28,818,037	59,280,185
Other financial assets, at cost	—	—	51,054	—	51,054
Trust fund plans and asset management plans	74,862,488	—	—	—	74,862,488
Total	74,862,488	25,782,157	88,278,361	35,776,051	224,699,057

The Bank

31 December 2015	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Government	—	7,673,493	18,383,749	344,879	26,402,121
Financial institutions					
—Policy banks	—	6,199,119	22,508,890	5,310,237	34,018,246
—Other banks and non-bank financial institutions	—	4,184,812	6,122,727	1,299,533	11,607,072
Corporate	—	379,951	10,296,366	1,031,936	11,708,253
Funds and others	—	—	14,500,000	43,823,872	58,323,872
Other financial assets, at cost	—	—	51,054	—	51,054
Trust fund plans and asset management plans	44,641,607	—	—	—	44,641,607
Total	44,641,607	18,437,375	71,862,786	51,810,457	186,752,225

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(v) Debt instruments—continued

Neither past due nor impaired—continued

The Bank—continued

31 December 2016	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Government	—	8,050,822	12,801,575	187,701	21,040,098
Financial institutions					
—Policy banks	—	11,285,893	35,984,691	1,456,474	48,727,058
—Other banks and non-bank financial institutions	—	6,445,442	3,691,477	2,316,380	12,453,299
Corporate	—	—	5,287,416	2,997,459	8,284,875
Funds and others	—	—	28,766,135	28,818,037	57,584,172
Other financial assets, at cost	—	—	51,054	—	51,054
Trust fund plans and asset management plans	74,777,488	—	—	—	74,777,488
Total	74,777,488	25,782,157	86,582,348	35,776,051	222,918,044

Past due but not impaired

The Group and the Bank

31 December 2014	Receivables
Trust fund plans and asset management plans:	
Past due for less than one month	1,280,000

31 December 2015	Receivables
Trust fund plans and asset management plans:	
Past due for less than one month	300,000

Impaired

The Group and the Bank

31 December 2015	Receivables
Trust fund plans and asset management plans	2,450,000

31 December 2016	Receivables	Financial assets at fair value through profit or loss	Total
Corporate	—	204,327	204,327
Trust fund plans and asset management plans	1,578,146	—	1,578,146
Total	1,578,146	204,327	1,782,473

46. FINANCIAL RISK MANAGEMENT—continued

(a) Credit risk—continued

(v) Debt instruments—continued

Debt securities are analysed by credit rating as follows:

The Group and the Bank

31 December 2014	Held-to-maturity investments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
AAA	300,000	1,866,167	—	2,166,167
AA- to AA+	350,000	1,816,986	—	2,166,986
A- to A+	—	—	69,916	69,916
No rating (i)	7,901,146	41,724,964	1,399,840	51,025,950
Total	8,551,146	45,408,117	1,469,756	55,429,019

31 December 2015	Held-to-maturity investments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
AAA	5,482,295	5,189,130	30,588	10,702,013
AA- to AA+	350,000	3,766,615	50,435	4,167,050
A- to A+	24,095	154,341	429,983	608,419
No rating (i)	12,577,185	48,201,646	7,475,579	68,254,410
Total	18,433,575	57,311,732	7,986,585	83,731,892

31 December 2016	Held-to-maturity investments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
AAA	4,028,696	4,683,914	1,770,806	10,483,416
AA- to AA+	350,000	3,881,961	199,689	4,431,650
No rating (i)	21,403,461	49,199,284	5,191,846	75,794,591
Total	25,782,157	57,765,159	7,162,341	90,709,657

(i) The no rating debt securities classified as held-for-trading, available-for-sale and held-to-maturity mainly consist of investment and trading securities issued by the MOF, central bank, policy banks and other financial institutions which are creditworthy issuers in the market, but are not rated by independent rating agencies.

46. FINANCIAL RISK MANAGEMENT—continued

(b) Liquidity risk

Liquidity risk is the risk that capital will not be sufficient or funds will not be raised at reasonable cost in a timely manner for the repayment of debts due. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims to:

- optimize the structure of assets and liabilities;
- maintain the stability of the deposit base;
- project cash flows and evaluate the level of current assets; and
- in terms of liquidity of the branches, maintain an efficient internal fund transfer mechanism.

The Group and the Bank's expected remaining maturity of their financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

46. FINANCIAL RISK MANAGEMENT—continued

(b) Liquidity risk—continued

(i) Analysis of the remaining maturity of the assets and liabilities is set out below:

The Group

31 December 2014	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	—	17,450,579	—	—	—	—	—	61,185,502	78,636,081
Deposits and placements with banks and other financial institutions (i)	—	1,540,776	74,194,747	21,954,585	6,222,222	215,000	—	—	104,127,330
Financial assets at fair value through profit or loss	—	—	—	246,880	393,819	808,805	20,252	—	1,469,756
Loans and advances to customers	3,464,716	—	10,034,549	18,231,055	70,553,976	50,721,117	27,714,891	—	180,720,304
Financial investments	1,280,000	—	—	8,382,262	31,759,414	39,011,438	14,243,525	51,054	94,727,693
Other financial assets	48,636	94,306	859,268	396,302	1,005,700	3,682	1,220	13,937	2,423,051
Total financial assets	4,793,352	19,085,661	85,088,564	49,211,084	109,935,131	90,760,042	41,979,888	61,250,493	462,104,215
Financial liabilities:									
Due to central bank	—	—	69,998	204,000	326,000	—	—	—	599,998
Deposits and placements from banks and other financial institutions (ii)	—	457,928	24,436,747	15,656,421	17,108,542	—	—	—	57,659,638
Due to customers (iii)	—	132,376,417	28,041,269	42,333,912	85,763,722	65,663,237	260,000	—	354,438,557
Debt securities issued	—	—	995,492	985,907	2,947,561	7,593,506	—	—	12,522,466
Other financial liabilities	—	502,297	1,053,380	974,579	2,638,069	1,360,867	606	—	6,529,798
Total financial liabilities	—	133,336,642	54,596,886	60,154,819	108,783,894	74,617,610	260,606	—	431,750,457
Net liquidity gap	4,793,352	(114,250,981)	30,491,678	(10,943,735)	1,151,237	16,142,432	41,719,282	61,250,493	30,353,758

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

46. FINANCIAL RISK MANAGEMENT—continued

(b) Liquidity risk—continued

(i) Analysis of the remaining maturity of the assets and liabilities is set out below:—continued

The Group—continued

31 December 2015	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	—	30,179,159	—	—	—	—	—	51,971,839	82,150,998
Deposits and placements with banks and other financial institutions (i)	—	1,134,283	45,215,530	25,832,159	13,163,804	—	—	—	85,345,776
Financial assets at fair value through profit or loss	—	43,823,872	30,019	257,390	2,751,417	4,080,732	867,027	—	51,810,457
Loans and advances to customers	7,383,350	—	10,449,103	19,874,556	81,006,114	66,482,963	31,583,678	—	216,779,764
Financial investments	2,570,820	260,500	7,539,104	5,470,244	38,243,315	65,953,851	17,605,032	51,054	137,693,920
Other financial assets	80,033	196,555	1,024,697	583,129	1,920,852	18,650	1,895	15,621	3,841,432
Total financial assets	10,034,203	75,594,369	64,258,453	52,017,478	137,085,502	136,536,196	50,057,632	52,038,514	577,622,347
Financial liabilities:									
Due to central bank	—	—	—	190,000	816,000	—	—	—	1,006,000
Deposits and placements from banks and other financial institutions (ii)	—	4,413,161	69,816,582	24,394,553	17,845,000	—	—	—	116,469,296
Due to customers (iii)	—	153,645,375	32,641,589	42,511,007	92,020,247	69,903,662	340,000	—	391,061,880
Debt securities issued	—	—	9,088,825	—	4,993,796	7,594,248	—	—	21,676,869
Other financial liabilities	—	252,185	1,417,735	1,918,796	6,499,820	3,132,579	69,809	—	13,290,924
Total financial liabilities	—	158,310,721	112,964,731	69,014,356	122,174,863	80,630,489	409,809	—	543,504,969
Net liquidity gap	10,034,203	(82,716,352)	(48,706,278)	(16,996,878)	14,910,639	55,905,707	49,647,823	52,038,514	34,117,378

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

46. FINANCIAL RISK MANAGEMENT—continued

(b) Liquidity risk—continued

(i) Analysis of the remaining maturity of the assets and liabilities is set out below:—continued

The Group—continued

31 December 2016	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	—	25,103,301	—	—	—	—	—	57,919,641	83,022,942
Deposits and placements with banks and other financial institutions (i)	—	685,363	77,799,632	13,428,315	10,232,835	—	—	108,613	102,254,758
Financial assets at fair value through profit or loss	204,327	28,818,037	1,568,848	862,961	1,283,591	2,932,893	309,721	—	35,980,378
Loans and advances to customers	7,267,894	—	15,124,230	17,007,611	79,659,024	78,835,224	40,040,788	—	237,934,771
Financial investments	1,340,042	1,013	3,454,445	12,995,994	67,118,088	87,755,916	17,356,365	51,054	190,072,917
Other financial assets	153,046	245,155	1,477,676	952,083	2,414,404	116,113	10,149	143,802	5,512,428
Total financial assets	8,965,309	54,852,869	99,424,831	45,246,964	160,707,942	169,640,146	57,717,023	58,223,110	654,778,194
Financial liabilities:									
Due to central bank	—	—	—	130,000	407,000	—	—	—	537,000
Deposits and placements from banks and other financial institutions (ii)	—	1,774,932	55,946,851	3,409,600	21,445,666	1,400,000	—	—	83,977,049
Due to customers (iii)	—	192,182,951	31,314,876	42,193,365	94,828,318	62,182,528	1,040,000	—	423,742,038
Debt securities issued	—	—	3,194,040	15,024,055	69,980,156	4,097,125	—	—	92,295,376
Other financial liabilities	—	588,641	1,267,341	2,185,018	9,813,258	5,178,787	121,390	—	19,154,435
Total financial liabilities	—	194,546,524	91,723,108	62,942,038	196,474,398	72,858,440	1,161,390	—	619,705,898
Net liquidity gap	8,965,309	(139,693,655)	7,701,723	(17,695,074)	(35,766,456)	96,781,706	56,555,633	58,223,110	35,072,296

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

46. FINANCIAL RISK MANAGEMENT—continued

(b) Liquidity risk—continued

(i) Analysis of the remaining maturity of the assets and liabilities is set out below:—continued

The Bank

31 December 2014	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	—	16,880,212	—	—	—	—	—	59,341,251	76,221,463
Deposits and placements with banks and other financial institutions (i)	—	1,222,232	73,277,406	21,674,585	5,994,472	215,000	—	—	102,383,695
Financial assets at fair value through profit or loss	—	—	—	246,880	393,819	808,805	20,252	—	1,469,756
Loans and advances to customers	3,259,497	—	9,273,068	16,772,366	63,456,421	49,360,423	27,486,431	—	169,608,206
Financial investments	1,280,000	—	—	8,382,262	31,759,414	39,011,438	14,243,525	51,054	94,727,693
Other financial assets	45,367	93,400	826,457	389,569	993,196	2,481	—	13,936	2,364,406
Total financial assets	4,584,864	18,195,844	83,376,931	47,465,662	102,597,322	89,398,147	41,750,208	59,406,241	446,775,219
Financial liabilities:									
Deposits and placements from banks and other financial institutions (ii)	—	1,437,355	26,881,500	15,864,668	17,455,040	—	—	—	61,638,563
Due to customers (iii)	—	124,356,198	27,063,896	41,075,609	82,438,118	64,667,141	260,000	—	339,860,962
Debt securities issued	—	—	995,492	985,907	2,947,561	7,593,506	—	—	12,522,466
Other financial liabilities	—	499,905	1,033,678	949,890	2,601,303	1,326,673	606	—	6,412,055
Total financial liabilities	—	126,293,458	55,974,566	58,876,074	105,442,022	73,587,320	260,606	—	420,434,046
Net liquidity gap	4,584,864	(108,097,614)	27,402,365	(11,410,412)	(2,844,700)	15,810,827	41,489,602	59,406,241	26,341,173

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

46. FINANCIAL RISK MANAGEMENT—continued

(b) Liquidity risk—continued

(i) Analysis of the remaining maturity of the assets and liabilities is set out below:—continued

The Bank—continued

31 December 2015	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	—	28,951,085	—	—	—	—	—	50,229,284	79,180,369
Deposits and placements with banks and other financial institutions (i)	—	2,488,694	41,879,530	24,699,595	9,397,919	—	—	—	78,465,738
Financial assets at fair value through profit or loss	—	43,823,872	30,019	257,390	2,751,417	4,080,732	867,027	—	51,810,457
Loans and advances to customers	6,777,238	—	9,359,491	17,654,080	70,868,227	59,574,872	30,946,344	—	195,180,252
Financial investments	2,570,820	—	7,539,104	5,370,244	38,243,315	65,953,851	17,605,032	51,054	137,333,420
Other financial assets	79,214	235,832	954,690	575,065	1,883,270	11,576	—	12,621	3,752,268
Total financial assets	9,427,272	75,499,483	59,762,834	48,556,374	123,144,148	129,621,031	49,418,403	50,292,959	545,722,504
Financial liabilities:									
Deposits and placements from banks and other financial institutions (ii)	—	7,224,996	70,089,375	24,334,552	15,507,000	—	—	—	117,155,923
Due to customers (iii)	—	141,566,155	31,184,918	40,732,209	86,841,992	68,268,636	340,000	—	368,933,910
Debt securities issued	—	—	9,088,825	—	4,993,796	7,594,248	—	—	21,676,869
Other financial liabilities	—	289,849	834,927	1,123,713	3,062,677	2,578,555	805	—	7,890,526
Total financial liabilities	—	149,081,000	111,198,045	66,190,474	110,405,465	78,441,439	340,805	—	515,657,228
Net liquidity gap	9,427,272	(73,581,517)	(51,435,211)	(17,634,100)	12,738,683	51,179,592	49,077,598	50,292,959	30,065,276

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

46. FINANCIAL RISK MANAGEMENT—continued

(b) Liquidity risk—continued

(i) Analysis of the remaining maturity of the assets and liabilities is set out below:—continued

The Bank—continued

31 December 2016	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	—	22,478,833	—	—	—	—	—	55,328,075	77,806,908
Deposits and placements with banks and other financial institutions (i)	—	3,180,420	73,396,655	11,601,315	5,530,940	—	—	108,613	93,817,943
Financial assets at fair value through profit or loss	204,327	28,818,037	1,568,848	862,961	1,283,591	2,932,893	309,721	—	35,980,378
Loans and advances to customers	6,615,542	—	13,510,989	14,520,564	67,339,783	68,099,408	39,270,758	—	209,357,044
Financial investments	1,340,042	—	3,454,445	12,995,994	67,063,088	86,030,915	17,356,366	51,054	188,291,904
Other financial assets	145,296	258,867	1,406,347	899,158	2,330,657	40,749	—	137,783	5,218,857
Total financial assets	8,305,207	54,736,157	93,337,284	40,879,992	143,548,059	157,103,965	56,936,845	55,625,525	610,473,034
Financial liabilities:									
Deposits and placements from banks and other financial institutions (ii)	—	5,778,916	55,617,851	3,241,600	20,090,666	1,400,000	—	—	86,129,033
Due to customers (iii)	—	174,286,398	30,107,296	40,094,040	88,964,478	59,550,101	140,000	—	393,142,313
Debt securities issued	—	—	3,194,040	15,024,055	69,980,156	4,097,125	—	—	92,295,376
Other financial liabilities	—	578,015	789,250	805,427	1,871,304	4,231,417	15,209	—	8,290,622
Total financial liabilities	—	180,643,329	89,708,437	59,165,122	180,906,604	69,278,643	155,209	—	579,857,344
Net liquidity gap	8,305,207	(125,907,172)	3,628,847	(18,285,130)	(37,358,545)	87,825,322	56,781,636	55,625,525	30,615,690

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

46. FINANCIAL RISK MANAGEMENT—continued

(b) Liquidity risk—continued

(ii) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group's and of the Bank's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group and the Bank's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

The Group

31 December 2014	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	—	17,608,352	—	—	—	—	—	61,185,502	78,793,854
Deposits and placements with banks and other financial institutions (i)	—	1,691,542	74,353,790	22,207,020	6,425,028	227,213	—	—	104,904,593
Financial assets at fair value through profit or loss	—	—	1,324	257,571	442,970	884,018	21,213	—	1,607,096
Loans and advances to customers	3,498,782	—	11,252,170	20,085,746	76,219,216	64,510,713	38,036,824	—	213,603,451
Financial investments	1,324,979	—	434,636	9,371,411	34,887,072	45,551,760	15,684,955	51,054	107,305,867
Other financial assets	—	61,399	401	13,787	18,268	1,124	1,220	13,937	110,136
Total financial assets	4,823,761	19,361,293	86,042,321	51,935,535	117,992,554	111,174,828	53,744,212	61,250,493	506,324,997
Financial liabilities:									
Due to central bank	—	—	70,595	209,315	334,821	—	—	—	614,731
Deposits and placements from banks and other financial institutions (ii)	—	460,746	24,482,078	15,902,791	17,873,042	—	—	—	58,718,657
Due to customers (iii)	—	132,396,415	28,945,577	44,112,153	91,044,122	78,067,338	317,517	—	374,883,122
Debt securities issued	—	—	1,000,000	1,000,000	3,466,310	9,045,940	—	—	14,512,250
Other financial liabilities	—	434,813	359,673	4,056	8,004	10,177	58	—	816,781
Total financial liabilities	—	133,291,974	54,857,923	61,228,315	112,726,299	87,123,455	317,575	—	449,545,541
Net liquidity gap	4,823,761	(113,930,681)	31,184,398	(9,292,780)	5,266,255	24,051,373	53,426,637	61,250,493	56,779,456

(i) Includes reverse repurchase agreements.
(ii) Includes repurchase agreements.
(iii) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

46. FINANCIAL RISK MANAGEMENT—continued

(b) Liquidity risk—continued

(ii) Maturity analysis of contractual undiscounted cash flows—continued

The Group—continued

31 December 2015	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	—	30,232,413	—	—	—	—	—	51,971,839	82,204,252
Deposits and placements with banks and other financial institutions (i)	—	2,333,743	45,319,919	26,057,484	13,540,976	—	—	—	87,252,122
Financial assets at fair value through profit or loss	—	43,823,872	35,021	278,062	2,999,141	4,520,919	960,859	—	52,617,874
Loans and advances to customers	7,447,635	—	11,365,863	20,302,893	86,663,280	82,334,329	40,974,511	—	249,088,511
Financial investments	2,652,522	261,231	8,147,045	6,318,352	42,839,637	73,895,409	19,258,149	51,054	153,423,399
Other financial assets	—	167,663	23,784	25,537	12,213	6,924	1,895	15,621	253,637
Total financial assets	10,100,157	76,818,922	64,891,632	52,982,328	146,055,247	160,757,581	61,195,414	52,038,514	624,839,795
Financial liabilities:									
Due to central bank	—	—	—	194,167	837,596	—	—	—	1,031,763
Deposits and placements from banks and other financial institutions (ii)	—	4,413,636	70,004,811	24,681,863	18,437,369	—	—	—	117,537,679
Due to customers (iii)	—	153,669,023	33,666,368	44,312,780	96,950,939	82,205,307	379,317	—	411,183,734
Debt securities issued	—	—	9,100,000	—	5,566,310	8,579,630	—	—	23,245,940
Other financial liabilities	—	226,321	582,225	814,603	3,566,790	541,996	69,138	—	5,801,073
Total financial liabilities	—	158,308,980	113,353,404	70,003,413	125,359,004	91,326,933	448,455	—	558,800,189
Net liquidity gap	10,100,157	(81,490,058)	(48,461,772)	(17,021,085)	20,696,243	69,430,648	60,746,959	52,038,514	66,039,606

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

46. FINANCIAL RISK MANAGEMENT—continued

(b) Liquidity risk—continued

(ii) Maturity analysis of contractual undiscounted cash flows—continued

The Group—continued

31 December 2016	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	—	25,129,448	—	—	—	—	—	57,919,641	83,049,089
Deposits and placements with banks and other financial institutions (i)	—	690,361	77,871,468	13,593,165	10,590,603	—	—	108,613	102,854,210
Financial assets at fair value through profit or loss	231,927	28,826,502	1,636,104	921,259	1,404,174	3,159,279	354,214	—	36,533,459
Loans and advances to customers	7,304,526	—	15,959,845	18,520,655	86,727,312	96,103,737	51,636,319	—	276,252,394
Financial investments	1,401,755	1,013	4,208,429	14,323,928	72,455,346	99,312,155	19,996,252	51,054	211,749,932
Other financial assets	—	201,886	337,272	44,334	38,640	67,355	10,072	143,802	843,361
Total financial assets	8,938,208	54,849,210	100,013,118	47,403,341	171,216,075	198,642,526	71,996,857	58,223,110	711,282,445
Financial liabilities:									
Due to central bank	—	—	—	133,169	410,899	—	—	—	544,068
Deposits and placements from banks and other financial institutions (ii)	—	1,775,747	56,035,330	3,526,420	21,870,458	1,751,400	—	—	84,959,355
Due to customers (iii)	—	192,280,152	32,403,090	43,470,415	99,212,848	73,420,028	1,334,725	—	442,121,258
Debt securities issued	—	—	3,200,000	15,110,000	71,786,310	4,869,980	—	—	94,966,290
Other financial liabilities	—	489,190	714,039	1,395,885	8,016,955	887,789	103,150	—	11,607,008
Total financial liabilities	—	194,545,089	92,352,459	63,635,889	201,297,470	80,929,197	1,437,875	—	634,197,979
Net liquidity gap	8,938,208	(139,695,879)	7,660,659	(16,232,548)	(30,081,395)	117,713,329	70,558,982	58,223,110	77,084,466

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

46. FINANCIAL RISK MANAGEMENT—continued

(b) Liquidity risk—continued

(ii) Maturity analysis of contractual undiscounted cash flows—continued

The Bank

31 December 2014	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	—	17,036,796	—	—	—	—	—	59,341,250	76,378,046
Deposits and placements with banks and other financial institutions (i)	—	1,222,700	73,437,624	21,923,052	6,198,057	227,213	—	—	103,008,646
Financial assets at fair value through profit or loss	—	—	1,324	257,571	442,970	884,018	21,213	—	1,607,096
Loans and advances to customers	3,290,190	—	10,190,148	18,475,280	68,740,787	62,983,894	37,731,252	—	201,411,551
Financial investments	1,324,979	—	434,636	9,371,411	34,887,072	45,551,760	15,684,955	51,054	107,305,867
Other financial assets	—	61,735	—	10,038	6,366	—	—	13,936	92,075
Total financial assets	4,615,169	18,321,231	84,063,732	50,037,352	110,275,252	109,646,885	53,437,420	59,406,240	489,803,281
Financial liabilities:									
Deposits and placements from banks and other financial institutions (ii)	—	1,440,524	26,998,356	16,114,306	18,174,237	—	—	—	62,727,423
Due to customers (iii)	—	124,375,389	27,946,618	42,823,153	87,612,871	76,894,613	317,517	—	359,970,161
Debt securities issued	—	—	1,000,000	1,000,000	3,466,310	9,045,940	—	—	14,512,250
Other financial liabilities	—	433,913	352,516	1,752	1,670	284	58	—	790,193
Total financial liabilities	—	126,249,826	56,297,490	59,939,211	109,255,088	85,940,837	317,575	—	438,000,027
Net liquidity gap	4,615,169	(107,928,595)	27,766,242	(9,901,859)	1,020,164	23,706,048	53,119,845	59,406,240	51,803,254

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

46. FINANCIAL RISK MANAGEMENT—continued

(b) Liquidity risk—continued

(ii) Maturity analysis of contractual undiscounted cash flows—continued

The Bank—continued

31 December 2015	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	—	28,978,341	—	—	—	—	—	50,229,284	79,207,625
Deposits and placements with banks and other financial institutions (i)	—	3,687,613	41,983,524	24,884,413	9,671,989	—	—	—	80,227,539
Financial assets at fair value through profit or loss	—	43,823,872	35,021	278,062	2,999,141	4,520,920	960,858	—	52,617,874
Loans and advances to customers	6,833,205	—	10,143,600	17,905,811	75,812,528	74,442,594	40,204,842	—	225,342,580
Financial investments	2,652,522	—	8,147,045	6,217,386	42,839,637	73,895,409	19,258,149	51,054	153,061,202
Other financial assets	—	208,046	1,041	24,474	1,014	—	—	12,621	247,196
Total financial assets	9,485,727	76,697,872	60,310,231	49,310,146	131,324,309	152,858,923	60,423,849	50,292,959	590,704,016
Financial liabilities:									
Deposits and placements from banks and other financial institutions (ii)	—	7,225,886	70,281,457	24,609,785	15,988,995	—	—	—	118,106,123
Due to customers (iii)	—	141,587,526	32,177,045	42,478,915	91,551,820	80,229,936	379,317	—	388,404,559
Debt securities issued	—	—	9,100,000	—	5,566,310	8,579,630	—	—	23,245,940
Other financial liabilities	—	265,517	29,344	31,559	148,028	64	134	—	474,646
Total financial liabilities	—	149,078,929	111,587,846	67,120,259	113,255,153	88,809,630	379,451	—	530,231,268
Net liquidity gap	9,485,727	(72,381,057)	(51,277,615)	(17,810,113)	18,069,156	64,049,293	60,044,398	50,292,959	60,472,748

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

46. FINANCIAL RISK MANAGEMENT—continued

(b) Liquidity risk—continued

(ii) Maturity analysis of contractual undiscounted cash flows—continued

The Bank—continued

31 December 2016	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	—	22,504,089	—	—	—	—	—	55,328,075	77,832,164
Deposits and placements with banks and other financial institutions (i)	—	3,182,484	73,458,404	11,748,406	5,686,438	—	—	108,613	94,184,345
Financial assets at fair value through profit or loss	231,927	28,826,502	1,636,104	921,259	1,404,174	3,159,279	354,214	—	36,533,459
Loans and advances to customers	6,648,503	—	14,203,888	15,715,883	73,363,632	83,854,193	50,687,883	—	244,473,982
Financial investments	1,401,755	—	4,208,429	14,323,928	72,394,310	97,391,562	19,996,252	51,054	209,767,290
Other financial assets	—	218,530	311,704	—	577	—	—	137,783	668,594
Total financial assets	8,282,185	54,731,605	93,818,529	42,709,476	152,849,131	184,405,034	71,038,349	55,625,525	663,459,834
Financial liabilities:									
Deposits and placements from banks and other financial institutions (ii)	—	5,780,182	55,704,633	3,354,681	20,454,395	1,751,400	—	—	87,045,291
Due to customers (iii)	—	174,367,845	31,167,635	41,328,249	93,164,767	70,354,397	238,000	—	410,620,893
Debt securities issued	—	—	3,200,000	15,110,000	71,786,310	4,869,980	—	—	94,966,290
Other financial liabilities	—	495,860	262,535	—	32,282	1,323	—	—	792,000
Total financial liabilities	—	180,643,887	90,334,803	59,792,930	185,437,754	76,977,100	238,000	—	593,424,474
Net liquidity gap	8,282,185	(125,912,282)	3,483,726	(17,083,454)	(32,588,623)	107,427,934	70,800,349	55,625,525	70,035,360

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

46. FINANCIAL RISK MANAGEMENT—continued

(b) Liquidity risk—continued

(iii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before the expiry of the commitments.

The Group

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
31 December 2014								
Credit commitments . . .	66,564,065	4,167,352	8,178,146	17,127,703	51,178	—	—	96,088,444
Forward purchase commitments . . .	—	—	—	2,299,000	1,319,000	—	—	3,618,000
31 December 2015								
Credit commitments . . .	74,908,336	4,696,899	7,194,220	16,627,951	1,047,995	—	—	104,475,401
Forward purchase commitments . . .	—	—	—	860,000	200,000	—	—	1,060,000
31 December 2016								
Credit commitments . . .	86,453,541	2,268,629	3,705,725	18,604,858	5,424,323	—	—	116,457,076
Forward purchase commitments . . .	—	—	—	200,000	—	—	—	200,000

The Bank

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
31 December 2014								
Credit commitments . . .	63,977,796	4,042,062	7,962,839	16,855,410	20,143	—	—	92,858,250
Forward purchase commitments . . .	—	—	—	2,299,000	1,319,000	—	—	3,618,000
31 December 2015								
Credit commitments . . .	72,596,345	3,992,334	6,662,401	15,949,331	633,979	—	—	99,834,390
Forward purchase commitments . . .	—	—	—	860,000	200,000	—	—	1,060,000
31 December 2016								
Credit commitments . . .	83,406,269	1,996,119	3,131,112	17,246,438	5,330,225	—	—	111,110,163
Forward purchase commitments . . .	—	—	—	200,000	—	—	—	200,000

46. FINANCIAL RISK MANAGEMENT—continued

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses.

The Group's market risk contains currency risk, interest rate risk and other price risk.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions.

The Group's currency risk mainly arises from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank uses different management methods to control market risk which comprises trading book and banking book risks respectively.

The Group considers the market risk arising from commodity or stock price fluctuations in respect of its investment portfolios to be immaterial.

(i) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures and foreign exchange business.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax and equity. A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the year end are kept unchanged and, therefore, have not incorporated action that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

The Group and the Bank

	Effect on net profit			
	Change in rate	31 December		
Currency		**2014**	**2015**	**2016**
USD	-1%	(3,972)	(3,258)	(3,782)
HKD	-1%	(114)	—	(1,149)

While the table above indicates the effect on profit before tax of 1% depreciation of USD and HKD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

46. FINANCIAL RISK MANAGEMENT—continued

(c) Market risk—continued

(i) Currency risk—continued

The Group

31 December 2014	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central bank	78,342,425	266,484	24,890	2,282	78,636,081
Deposits and placements with banks and other financial institutions	103,724,806	265,510	117,090	19,924	104,127,330
Financial assets at fair value through profit or loss	1,469,756	—	—	—	1,469,756
Loans and advances to customers	177,737,023	2,970,699	9,988	2,594	180,720,304
Financial investments	94,727,693	—	—	—	94,727,693
Other financial assets	2,378,302	44,698	15	36	2,423,051
Total financial assets	458,380,005	3,547,391	151,983	24,836	462,104,215
Liabilities:					
Due to central bank	599,998	—	—	—	599,998
Deposits and placements from banks and other financial institutions	57,659,638	—	—	—	57,659,638
Due to customers	351,309,002	2,991,613	136,392	1,550	354,438,557
Debt securities issued	12,522,466	—	—	—	12,522,466
Other financial liabilities	6,503,197	26,196	404	1	6,529,798
Total financial liabilities	428,594,301	3,017,809	136,796	1,551	431,750,457
Net exposure	29,785,704	529,582	15,187	23,285	30,353,758

31 December 2015	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central bank	81,952,745	170,976	24,094	3,183	82,150,998
Deposits and placements with banks and other financial institutions	84,765,405	453,896	111,161	15,314	85,345,776
Financial assets at fair value through profit or loss	51,810,457	—	—	—	51,810,457
Loans and advances to customers	214,699,531	2,049,077	31,156	—	216,779,764
Financial investments	137,693,920	—	—	—	137,693,920
Other financial assets	3,804,631	36,776	25	—	3,841,432
Total financial assets	574,726,689	2,710,725	166,436	18,497	577,622,347
Liabilities:					
Due to central bank	1,006,000	—	—	—	1,006,000
Deposits and placements from banks and other financial institutions	116,469,296	—	—	—	116,469,296
Due to customers	388,629,226	2,263,389	166,005	3,260	391,061,880
Debt securities issued	21,676,869	—	—	—	21,676,869
Other financial liabilities	13,277,563	12,942	416	3	13,290,924
Total financial liabilities	541,058,954	2,276,331	166,421	3,263	543,504,969
Net exposure	33,667,735	434,394	15	15,234	34,117,378

46. FINANCIAL RISK MANAGEMENT—continued

(c) Market risk—continued

(i) Currency risk—continued

The Group—continued

31 December 2016	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central bank	82,929,631	55,164	34,252	3,895	83,022,942
Deposits and placements with banks and other financial institutions	100,439,849	1,204,150	596,078	14,681	102,254,758
Financial assets at fair value through profit or loss	35,980,378	—	—	—	35,980,378
Loans and advances to customers	237,763,792	170,979	—	—	237,934,771
Financial investments	190,072,917	—	—	—	190,072,917
Other financial assets	5,506,707	5,227	494	—	5,512,428
Total financial assets	652,693,274	1,435,520	630,824	18,576	654,778,194
Liabilities:					
Due to central bank	537,000	—	—	—	537,000
Deposits and placements from banks and other financial institutions	83,659,772	263,606	53,671	—	83,977,049
Due to customers	422,647,798	665,366	423,553	5,321	423,742,038
Debt securities issued	92,295,376	—	—	—	92,295,376
Other financial liabilities	19,151,818	2,217	395	5	19,154,435
Total financial liabilities	618,291,764	931,189	477,619	5,326	619,705,898
Net exposure	34,401,510	504,331	153,205	13,250	35,072,296

The Bank

31 December 2014	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central bank	75,927,807	266,484	24,890	2,282	76,221,463
Deposits and placements with banks and other financial institutions	101,981,171	265,510	117,090	19,924	102,383,695
Financial assets at fair value through profit or loss	1,469,756	—	—	—	1,469,756
Loans and advances to customers	166,624,925	2,970,699	9,988	2,594	169,608,206
Financial investments	94,727,693	—	—	—	94,727,693
Other financial assets	2,319,657	44,698	15	36	2,364,406
Total financial assets	443,051,009	3,547,391	151,983	24,836	446,775,219
Liabilities:					
Deposits and placements from banks and other financial institutions	61,638,563	—	—	—	61,638,563
Due to customers	336,731,407	2,991,613	136,392	1,550	339,860,962
Debt securities issued	12,522,466	—	—	—	12,522,466
Other financial liabilities	6,385,454	26,196	404	1	6,412,055
Total financial liabilities	417,277,890	3,017,809	136,796	1,551	420,434,046
Net exposure	25,773,119	529,582	15,187	23,285	26,341,173

46. FINANCIAL RISK MANAGEMENT—continued

(c) Market risk—continued

(i) Currency risk—continued

The Bank—continued

31 December 2015	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central bank	78,982,116	170,976	24,094	3,183	79,180,369
Deposits and placements with banks and other financial institutions	77,885,367	453,896	111,161	15,314	78,465,738
Financial assets at fair value through profit or loss	51,810,457	—	—	—	51,810,457
Loans and advances to customers	193,100,019	2,049,077	31,156	—	195,180,252
Financial investments	137,333,420	—	—	—	137,333,420
Other financial assets	3,715,467	36,776	25	—	3,752,268
Total financial assets	542,826,846	2,710,725	166,436	18,497	545,722,504
Liabilities:					
Deposits and placements from banks and other financial institutions	117,155,923	—	—	—	117,155,923
Due to customers	366,501,256	2,263,389	166,005	3,260	368,933,910
Debt securities issued	21,676,869	—	—	—	21,676,869
Other financial liabilities	7,877,165	12,942	416	3	7,890,526
Total financial liabilities	513,211,213	2,276,331	166,421	3,263	515,657,228
Net exposure	29,615,633	434,394	15	15,234	30,065,276

31 December 2016	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:					
Cash and balances with central bank	77,713,597	55,164	34,252	3,895	77,806,908
Deposits and placements with banks and other financial institutions	92,003,034	1,204,150	596,078	14,681	93,817,943
Financial assets at fair value through profit or loss	35,980,378	—	—	—	35,980,378
Loans and advances to customers	209,186,065	170,979	—	—	209,357,044
Financial investments	188,291,904	—	—	—	188,291,904
Other financial assets	5,213,136	5,227	494	—	5,218,857
Total financial assets	608,388,114	1,435,520	630,824	18,576	610,473,034
Liabilities:					
Deposits and placements from banks and other financial institutions	85,811,756	263,606	53,671	—	86,129,033
Due to customers	392,048,073	665,366	423,553	5,321	393,142,313
Debt securities issued	92,295,376	—	—	—	92,295,376
Other financial liabilities	8,288,005	2,217	395	5	8,290,622
Total financial liabilities	578,443,210	931,189	477,619	5,326	579,857,344
Net exposure	29,944,904	504,331	153,205	13,250	30,615,690

46. FINANCIAL RISK MANAGEMENT—continued

(c) Market risk—continued

(ii) Interest rate risk

The Group's bank account interest rate risk mainly arises from the mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

The Group principally uses sensitivity analysis to measure and control interest rate risk. For other financial assets and liabilities, the Group mainly uses gap analysis to measure and control the related interest rate risk.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Bank's net profit and equity.

The Group

	Effect on net profit			Effect on equity		
	31 December			31 December		
Change in basis points	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
+100 basis points	38,472	(504,033)	(413,575)	(1,152,051)	(1,645,812)	(1,240,625)
-100 basis points	(38,472)	504,033	413,575	1,219,202	1,317,344	1,303,809

The Bank

	Effect on net profit			Effect on equity		
	31 December			31 December		
Change in basis points	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
+100 basis points	26,983	(530,127)	(408,837)	(1,152,051)	(1,645,812)	(1,240,625)
-100 basis points	(26,983)	530,127	408,837	1,219,202	1,317,344	1,303,809

The sensitivity of the net profit is the effect of a reasonable possible change in interest rates on the net profit for one year, in respect of the financial assets and liabilities held at the end of each Relevant Periods. The effect on other comprehensive income is calculated by revaluing the year end portfolio of fixed-rate available-for-sale financial assets, based on a reasonable possible change in interest rates.

46. FINANCIAL RISK MANAGEMENT—continued

(c) Market risk—continued

(ii) Interest rate risk—continued

The above sensitivity analyses are based on the following assumptions: (i) all assets and liabilities that are repriced/due within three months (inclusive), and between three months and one year (inclusive) are assumed to be repriced in the mid of the respective bands; (ii) there are parallel shifts in the yield curve; and (iii) there are no other changes in the portfolios of assets and liabilities. The Group considers that the assumptions do not reflect their capital utilisation and interest rate risk management policies. Therefore, the above impact may differ from the actual situation.

Moreover, the above analyses are for illustration only and represents the effect of pro forma movements in net profit and other comprehensive income based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk.

46. FINANCIAL RISK MANAGEMENT—continued

(c) Market risk—continued

(ii) Interest rate risk—continued

The Group

31 December 2014	Less than three months	Three months to one year	One to five years	More than five years	Overdue/Non-interest-bearing	Total
Assets:						
Cash and balances with central bank	75,489,988	—	—	—	3,146,093	78,636,081
Deposits and placements with banks and other financial institutions (i)	97,689,190	6,222,222	215,000	—	918	104,127,330
Financial assets at fair value through profit or loss	277,245	393,819	778,440	20,252	—	1,469,756
Loans and advances to customers	55,863,310	107,576,598	13,550,187	265,493	3,464,716	180,720,304
Financial investments	8,860,328	31,669,358	38,623,428	14,243,525	1,331,054	94,727,693
Other financial assets	—	—	—	—	2,423,051	2,423,051
Total financial assets	238,180,061	145,861,997	53,167,055	14,529,270	10,365,832	462,104,215
Liabilities:						
Deposits and placements from banks and other financial institutions (ii)	303,998	296,000	—	—	—	599,998
Financial liabilities at fair value through profit or loss	40,551,096	17,108,542	—	—	—	57,659,638
Due to customers	202,749,947	85,763,722	65,663,237	260,000	1,651	354,438,557
Debt securities issued	1,981,400	2,947,560	7,593,506	—	—	12,522,466
Other financial liabilities	—	—	—	—	6,529,798	6,529,798
Total financial liabilities	245,586,441	106,115,824	73,256,743	260,000	6,531,449	431,750,457
Total interest sensitivity gap	(7,406,380)	39,746,173	(20,089,688)	14,269,270	3,834,383	30,353,758

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

46. FINANCIAL RISK MANAGEMENT—continued

(c) Market risk—continued

(ii) Interest rate risk—continued

The Group—continued

31 December 2015	Less than three months	Three months to one year	One to five years	More than five years	Overdue/Non-interest-bearing	Total
Assets:						
Cash and balances with central bank	79,153,491	—	—	—	2,997,507	82,150,998
Deposits and placements with banks and other financial institutions (i)	72,181,055	13,163,803	—	—	918	85,345,776
Financial assets at fair value through profit or loss	44,111,280	2,781,664	4,050,486	867,027	—	51,810,457
Loans and advances to customers	72,291,917	130,744,761	6,289,982	69,754	7,383,350	216,779,764
Financial investments	28,052,458	37,052,151	52,362,405	17,605,032	2,621,874	137,693,920
Other financial assets	—	—	—	—	3,841,432	3,841,432
Total financial assets	295,790,201	183,742,379	62,702,873	18,541,813	16,845,081	577,622,347
Liabilities:						
Deposits and placements from banks and other financial institutions (ii)	190,000	816,000	—	—	—	1,006,000
Financial liabilities at fair value through profit or loss	98,624,296	17,845,000	—	—	—	116,469,296
Due to customers	228,796,050	92,021,301	69,903,662	340,000	867	391,061,880
Debt securities issued	9,088,825	4,993,796	7,594,248	—	—	21,676,869
Other financial liabilities	1,250,000	3,310,000	160,000	—	8,570,924	13,290,924
Total financial liabilities	337,949,171	118,986,097	77,657,910	340,000	8,571,791	543,504,969
Total interest sensitivity gap	(42,158,970)	64,756,282	(14,955,037)	18,201,813	8,273,290	34,117,378

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

46. FINANCIAL RISK MANAGEMENT—continued

(c) Market risk—continued

(ii) Interest rate risk—continued

The Group—continued

31 December 2016	Less than three months	Three months to one year	One to five years	More than five, years	Overdue/Non-interest-bearing	Total
Assets:						
Cash and balances with central bank	79,647,570	—	—	—	3,375,372	83,022,942
Deposits and placements with banks and other financial institutions (i)	92,020,305	10,232,835	—	—	1,618	102,254,758
Financial assets at fair value through profit or loss	31,249,846	1,283,591	2,932,893	309,721	204,327	35,980,378
Loans and advances to customers	44,077,812	177,217,059	8,886,202	485,804	7,267,894	237,934,771
Financial investments	16,893,701	69,402,970	86,492,164	15,892,986	1,391,096	190,072,917
Other financial assets	80,742	—	—	—	5,431,686	5,512,428
Total financial assets	263,969,976	258,136,455	98,311,259	16,688,511	17,671,993	654,778,194
Liabilities:						
Due to central bank	130,000	407,000	—	—	—	537,000
Deposits and placements from banks and other financial institutions (ii)	61,131,383	21,445,666	1,400,000	—	—	83,977,049
Due to customers	265,691,192	94,828,318	62,182,528	1,040,000	—	423,742,038
Debt securities issued	18,218,095	69,980,156	4,097,125	—	—	92,295,376
Other financial liabilities	1,760,000	7,755,000	160,000	—	9,479,435	19,154,435
Total financial liabilities	346,930,670	194,416,140	67,839,653	1,040,000	9,479,435	619,705,898
Total interest sensitivity gap	(82,960,694)	63,720,315	30,471,606	15,648,511	8,192,558	35,072,296

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

46. FINANCIAL RISK MANAGEMENT—continued

(c) Market risk—continued

(ii) Interest rate risk—continued

The Bank

31 December 2014	Less than three months	Three months to one year	One to five years	More than five years	Overdue/Non-interest-bearing	Total
Assets:						
Cash and balances with central bank	73,341,597	—	—	—	2,879,866	76,221,463
Deposits and placements with banks and other financial institutions (i)	96,173,305	5,994,472	215,000	—	918	102,383,695
Financial assets at fair value through profit or loss	277,245	393,819	778,440	20,252	—	1,469,756
Loans and advances to customers	52,323,001	100,848,619	13,176,723	366	3,259,497	169,608,206
Financial investments	8,860,328	31,669,358	38,623,428	14,243,525	1,331,054	94,727,693
Other financial assets	—	—	—	—	2,364,406	2,364,406
Total financial assets	230,975,476	138,906,268	52,793,591	14,264,143	9,835,741	446,775,219
Liabilities:						
Deposits and placements from banks and other financial institutions (ii)	44,183,523	17,455,040	—	—	—	61,638,563
Due to customers	192,494,052	82,438,118	64,667,141	260,000	1,651	339,860,962
Debt securities issued	1,981,400	2,947,560	7,593,506	—	—	12,522,466
Other financial liabilities	—	—	—	—	6,412,055	6,412,055
Total financial liabilities	238,658,975	102,840,718	72,260,647	260,000	6,413,706	420,434,046
Total interest sensitivity gap	(7,683,499)	36,065,550	(19,467,056)	14,004,143	3,422,035	26,341,173

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

46. FINANCIAL RISK MANAGEMENT—continued

(c) Market risk—continued

(ii) Interest rate risk—continued

The Bank—continued

31 December 2015	Less than three months	Three months to one years	One to five years	More than five years	Overdue/Non-interest-bearing	Total
Assets:						
Cash and balances with central bank	76,386,914	—	—	—	2,793,455	79,180,369
Deposits and placements with banks and other financial institutions (i)	69,066,901	9,397,919	—	—	918	78,465,738
Financial assets at fair value through profit or loss	44,111,280	2,781,664	4,050,486	867,027	—	51,810,457
Loans and advances to customers	61,185,768	121,487,181	5,692,632	37,433	6,777,238	195,180,252
Financial investments	27,691,958	37,052,151	52,362,405	17,605,032	2,621,874	137,333,420
Other financial assets	—	—	—	—	3,752,268	3,752,268
Total financial assets	278,442,821	170,718,915	62,105,523	18,509,492	15,945,753	545,722,504
Liabilities:						
Deposits and placements from banks and other financial institutions (ii)	101,648,923	15,507,000	—	—	—	117,155,923
Due to customers	213,481,361	86,843,046	68,268,636	340,000	867	368,933,910
Debt securities issued	9,088,825	4,993,796	7,594,248	—	—	21,676,869
Other financial liabilities	—	—	—	—	7,890,526	7,890,526
Total financial liabilities	324,219,109	107,343,842	75,862,884	340,000	7,891,393	515,657,228
Total interest sensitivity gap	(45,776,288)	63,375,073	(13,757,361)	18,169,492	8,054,360	30,065,276

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

46. FINANCIAL RISK MANAGEMENT—continued

(c) Market risk—continued

(ii) Interest rate risk—continued

The Bank—continued

31 December 2016	Less than three months	Three months to one year	One to five years	More than five years	Overdue/ Non-interest-bearing	Total
Assets:						
Cash and balances with central bank	74,653,960	—	—	—	3,152,948	77,806,908
Deposits and placements with banks and other financial institutions (i)	88,285,385	5,530,940	—	—	1,618	93,817,943
Financial assets at fair value through profit or loss	31,249,846	1,283,591	2,932,893	309,721	204,327	35,980,378
Loans and advances to customers	38,380,242	156,541,845	7,376,669	442,746	6,615,542	209,357,044
Financial investment	16,892,688	69,347,970	84,767,163	15,892,986	1,391,097	188,291,904
Other financial assets	—	—	—	—	5,218,857	5,218,857
Total financial assets	249,462,121	232,704,346	95,076,725	16,645,453	16,584,389	610,473,034
Liabilities:						
Deposits and placements from banks and other financial institutions (ii)	64,638,367	20,090,666	1,400,000	—	—	86,129,033
Due to customers	244,487,734	88,964,477	59,550,102	140,000	—	393,142,313
Debt securities issued	18,218,095	69,980,156	4,097,125	—	—	92,295,376
Other financial liabilities	—	—	—	—	8,290,622	8,290,622
Total financial liabilities	327,344,196	179,035,299	65,047,227	140,000	8,290,622	579,857,344
Total interest sensitivity gap	(77,882,075)	53,669,047	30,029,498	16,505,453	8,293,766	30,615,690

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

46. FINANCIAL RISK MANAGEMENT—continued

(d) Capital management

The Group follows the following capital management principles:

- Maintain the high quality and adequacy of capital to meet asset regulatory requirements, support business growth and advance the sustainable development scale in the Group;
- Sufficiently identify, calculate, monitor, mitigate and control various types of risks, ensuring that the capital employed is commensurate with the related risks and the level of risk management of the Group; and
- Optimize asset structure and allocate capital properly, to steadily improve the efficiency and return of capital, and advance the sustainable development of the Group.

Capital adequacy and regulatory capital are monitored by the Group's management by employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBRC, for supervisory purposes. The required information is filed with the CBRC on a quarterly basis. From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) and other relevant regulations promulgated by the CBRC.

The Group's regulatory capital is managed by its financial department and consists of the following:

- Common equity tier 1 capital, mainly including share capital, capital reserve, surplus reserve, general reserve, retained profits, eligible portion of minority interests and others;
- Additional tier 1 capital, including additional tier 1 capital instruments issued and related premium and eligible portion of minority interests; and
- Tier 2 capital, including tier 2 capital instruments issued and related premium, excess loan loss provisions and eligible portion of minority interests.

The Group implements a weighted approach to measuring credit risk-weighted assets, which are determined according to the credit risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee, with adjustments made to reflect the potential losses. Market risk-weighted assets and operational risk-weighted assets are calculated using the standardized approach and basic indicator approach, respectively.

The Group takes various measures to manage risk-weighted assets including adjusting the composition of its on-balance and off-balance sheet assets.

The Group was in compliance with the capital requirement promulgated by the regulators in the Relevent Periods. The table below summarizes the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) and other relevant regulations promulgated by the CBRC.

46. FINANCIAL RISK MANAGEMENT—continued

(d) Capital management—continued

The Group	31 December		
	2014	2015	2016
Common equity tier 1 capital adequacy ratio	11.16%	10.28%	9.90%
Tier 1 capital adequacy ratio	11.17%	10.29%	9.92%
Capital adequacy ratio	14.45%	12.76%	12.16%
Common equity tier 1 capital			
Share capital	8,153,419	8,153,419	8,153,419
Capital reserve	4,595,423	4,696,696	4,839,809
Surplus reserve	2,182,466	2,690,094	3,200,146
General reserve	5,390,755	6,665,655	8,020,433
Retained profits	9,845,842	10,781,372	12,311,444
Eligible portion of minority interests	1,387,511	1,365,033	1,103,431
Others	492,701	790,710	(680,011)
Regulatory deductions			
Other intangible assets (except land use rights)	81,425	111,656	115,898
Net common equity tier 1 capital	31,966,692	35,031,323	36,832,773
Eligible portion of minority interests	27,775	51,460	92,889
Net tier 1 capital	31,994,467	35,082,783	36,925,662
Tier 2 capital			
Tier 2 capital instruments issued and related premium	6,893,752	6,544,586	6,195,304
Excess loan loss provisions	2,402,149	1,693,344	1,883,801
Eligible portion of minority interests	101,229	167,450	272,015
Net capital	41,391,597	43,488,163	45,276,782
Risk-weighted assets	286,447,195	340,805,893	372,211,309

47. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

47. FAIR VALUE OF FINANCIAL INSTRUMENTS—continued

(a) Financial instruments measured at fair value—continued

Determination of fair value and fair value hierarchy—continued

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy:

The Group

31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
Debt securities	—	1,469,756	—	1,469,756
Available-for-sale financial assets				
Debt securities	—	45,408,117	—	45,408,117
	—	46,877,873	—	46,877,873

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
Debt securities	—	7,986,585	—	7,986,585
Funds and other investments	19,813,382	24,010,490	—	43,823,872
Available-for-sale financial assets				
Debt securities	—	57,301,881	9,851	57,311,732
Funds and other investments	—	—	14,760,500	14,760,500
	19,813,382	89,298,956	14,770,351	123,882,689

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
Debt securities	—	6,958,014	204,327	7,162,341
Funds and other investments	28,818,037	—	—	28,818,037
Available-for-sale financial assets				
Debt securities	—	57,765,159	—	57,765,159
Funds and other investments	—	—	30,462,148	30,462,148
	28,818,037	64,723,173	30,666,475	124,207,685

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy:

The Bank

31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
Debt securities	—	1,469,756	—	1,469,756
Available-for-sale financial assets				
Debt securities	—	45,408,117	—	45,408,117
	—	46,877,873	—	46,877,873

47. FAIR VALUE OF FINANCIAL INSTRUMENTS—continued

(a) Financial instruments measured at fair value—continued

Determination of fair value and fair value hierarchy—continued

The Bank—continued

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
Debt securities	—	7,986,585	—	7,986,585
Funds and other investments	19,813,382	24,010,490	—	43,823,872
Available-for-sale financial assets				
Debt securities	—	57,301,881	9,851	57,311,732
Funds and other investments	—	—	14,500,000	14,500,000
	19,813,382	89,298,956	14,509,851	123,622,189

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
Debt securities	—	6,958,014	204,327	7,162,341
Funds and other investments	28,818,037	—	—	28,818,037
Available-for-sale financial assets				
Debt securities	—	57,765,159	—	57,765,159
Funds and other investments	—	—	28,766,135	28,766,135
	28,818,037	64,723,173	28,970,462	122,511,672

47. FAIR VALUE OF FINANCIAL INSTRUMENTS—continued

(a) Financial instruments measured at fair value—continued

Determination of fair value and fair value hierarchy—continued

The following tables present the changes in Level 3 assets for the years ended 31 December 2014, 2015 and 2016:

The Group

	Financial assets at fair value through profit or loss	Available-for-sale financial assets		
	Debt securities	Debt securities	Funds and other investments	Total
At 1 January 2014 and 31 December 2014	—	—	—	—
Purchase	—	9,851	14,760,500	14,770,351
At 31 December 2015	—	9,851	14,760,500	14,770,351
Purchase	—	—	19,696,013	19,696,013
Transfers into Level 3	204,327	—	—	204,327
Total gains and losses				
—other comprehensive income	—	—	(243,865)	(243,865)
Settlement	—	(9,851)	(3,750,500)	(3,760,351)
At 31 December 2016	204,327	—	30,462,148	30,666,475

The Bank

	Financial assets at fair value through profit or loss	Available-for-sale financial assets		
	Debt securities	Debt securities	Funds and other investments	Total
At 1 January 2014 and 31 December 2014	—	—	—	—
Purchase	—	9,851	14,500,000	14,509,851
At 31 December 2015	—	9,851	14,500,000	14,509,851
Purchase	—	—	18,000,000	18,000,000
Transfers into Level 3	204,327	—	—	204,327
Total gains and losses				
—other comprehensive income	—	—	(243,865)	(243,865)
Settlement	—	(9,851)	(3,490,000)	(3,499,851)
At 31 December 2016	204,327	—	28,766,135	28,970,462

47. FAIR VALUE OF FINANCIAL INSTRUMENTS—continued

(a) Financial instruments measured at fair value—continued

Determination of fair value and fair value hierarchy—continued

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 Quantitative information of Level 3 fair value measurement is as blow:

	Fair value as at 31 December 2015			
	The Group	The Bank	Valuation techniques	Unobservable input
Available-for-sale financial assets				
—Debt securities	9,851	9,851	Discounted cash flow	Risk-adjusted discount rate, cash flow
—Funds and other investments	14,760,500	14,500,000	Discounted cash flow	Risk-adjusted discount rate, cash flow

	Fair value as at 31 December 2016			
	The Group	The Bank	Valuation techniques	Unobservable input
Financial assets at fair value through profit or loss				
—Debt securities	204,327	204,327	Discounted cash flow	Risk-adjusted discount rate, cash flow
Available-for-sale financial assets				
—Funds and other investments	30,462,148	28,766,135	Discounted cash flow	Risk-adjusted discount rate, cash flow

During the years ended 31 December 2014, 2015 and 2016, there were no significant change in the valuation techniques.

As at 31 December 2014, 2015 and 2016, unobservable inputs such as estimated future cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly asset management plans and wealth management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value measurement on changes in unobservable inputs for Level 3 financial instruments measured at fair value on an ongoing basis.

The fair value of financial instruments are, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of plus or minus 2 per cent of change in fair value to reasonably possible alternative assumptions.

47. FAIR VALUE OF FINANCIAL INSTRUMENTS—continued

(a) Financial instruments measured at fair value—continued

Determination of fair value and fair value hierarchy—continued

The Group

	31 December 2015	
	Effect on profit or loss or other comprehensive income	
	Favourable	(Unfavourable)
Available-for-sale financial assets		
—Debt securities (reflected in OCI)	197	(197)
— Funds and other investments (reflected in OCI)	295,210	(295,210)

	31 December 2016	
	Effect on profit or loss or other comprehensive income	
	Favourable	(Unfavourable)
Financial assets at fair value through profit or loss		
—Debt securities	4,087	(4,087)
Available-for-sale financial assets		
—Funds and other investments (reflected in OCI)	609,243	(609,243)

The Bank

	31 December 2015	
	Effect on profit or loss or other comprehensive income	
	Favourable	(Unfavourable)
Available-for-sale financial assets		
—Debt securities (reflected in OCI)	197	(197)
—Funds and other investments (reflected in OCI)	290,000	(290,000)

	31 December 2016	
	Effect on profit or loss or other comprehensive income	
	Favourable	(Unfavourable)
Financial assets at fair value through profit or loss		
—Debt securities	4,087	(4,087)
Available-for-sale financial assets		
—Funds and other investments (reflected in OCI)	575,323	(575,323)

There are no transfers between Level 1 and Level 2 for financial assets measured at fair value during the years ended 31 December 2014, 2015 and 2016. During year 2016, financial assets measured at fair value amounted to RMB 204,327 thousand transferred from Level 2 to level 3 of the fair value hierarchy.

47. FAIR VALUE OF FINANCIAL INSTRUMENTS—continued

(b) Financial instruments for which fair values are disclosed

Financial assets and liabilities not presented at fair value on the statement of financial position mainly represent "Balances with central bank", "Deposits with banks and other financial institutions", "Placements with banks and other financial institutions", "Loans and advances to customers", "Financial investments" classified as "Held-to-maturity investments" and "Receivables", "Due to central bank", "Deposits from banks and other financial institutions", "Placements from banks and other financial institutions", "Due to customers" measured at amortised cost, and "Debt securities issued".

The tables below summarise the carrying amounts and fair values of "Debt securities" classified as "Held-to-maturity investments" and "Receivables", and "Debt securities issued" not presented at fair value on the statement of financial position.

The Group

	Carrying value		
	31 December		
	2014	2015	2016
Financial assets			
Debt securities (i)			
Receivables	40,717,376	47,137,059	76,012,399
Held-to-maturity investments	8,551,146	18,433,575	25,782,157
	49,268,522	65,570,634	101,794,556
Financial liabilities			
Bonds issued (ii)	12,522,466	21,676,869	92,295,376

	Fair value		
	31 December		
	2014	2015	2016
Financial assets			
Debt securities (i)			
Receivables	40,717,376	47,137,059	76,012,399
Held-to-maturity investments	8,825,366	19,037,393	26,037,010
	49,542,742	66,174,452	102,049,409
Financial liabilities			
Bonds issued (ii)	12,707,985	22,101,538	92,189,741

The Bank

	Carrying value		
	31 December		
	2014	2015	2016
Financial assets			
Debt securities (i)			
Receivables	40,717,376	47,037,059	75,927,399
Held-to-maturity investments	8,551,146	18,433,575	25,782,157
	49,268,522	65,470,634	101,709,556
Financial liabilities			
Bonds issued (ii)	12,522,466	21,676,869	92,295,376

47. FAIR VALUE OF FINANCIAL INSTRUMENTS—continued

(b) Financial instruments for which fair values are disclosed—continued

The Bank—continued

	Fair value		
	31 December		
	2014	2015	2016
Financial assets			
Debt securities (i)			
Receivables	40,717,376	47,037,059	75,927,399
Held-to-maturity investments	8,825,366	19,037,393	26,037,010
	49,542,742	66,074,452	101,964,409
Financial liabilities			
Bonds issued (ii)	12,707,985	22,101,538	92,189,741

(i) Debt securities classified as "Held-to-maturity investments" and "Receivables"

Fair values of debt securities are based on market prices or broker/dealer price quotations. Where this information is not available, the Group and the Bank will perform valuation by referring to prices from valuation service providers or on the basis of discounted cash flow models. Valuation parameters include market interest rates, expected future default rates, prepayment rates and market liquidity. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd.

(ii) Bonds issued

The aggregate fair values are calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

The tables below summarise the three levels' fair values of "Debt securities" classified as "Held-to-maturity investments" and "Receivables", and "Bonds issued" not presented at fair value on the statement of financial position.

The Group

31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets disclosed at fair value				
Receivables	—	—	40,717,376	40,717,376
Held-to-maturity investments	—	8,825,366	—	8,825,366
	—	8,825,366	40,717,376	49,542,742
Financial liabilities disclosed at fair value				
- Bonds issued	—	12,707,985	—	12,707,985

47. FAIR VALUE OF FINANCIAL INSTRUMENTS—continued

(b) Financial instruments for which fair value are disclosed—continued

The Group—continued

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets disclosed at fair value				
Receivables	—	—	47,137,059	47,137,059
Held-to-maturity investments	—	19,037,393	—	19,037,393
	—	19,037,393	47,137,059	66,174,452
Financial liabilities disclosed at fair value				
- Bonds issued	—	22,101,538	—	22,101,538

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets disclosed at fair value				
Receivables	—	—	76,012,399	76,012,399
Held-to-maturity investments	—	26,037,010	—	26,037,010
	—	26,037,010	76,012,399	102,049,409
Financial liabilities disclosed at fair value				
- Bonds issued	—	92,189,741	—	92,189,741

The tables below summarise the three levels' fair values of "Debt securities" classified as "Held-to-maturity investments" and "Receivables", and "Bonds issued" not presented at fair value on the statement of financial position.

The Bank

31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets disclosed at fair value				
Receivables	—	—	40,717,376	40,717,376
Held-to-maturity investments	—	8,825,366	—	8,825,366
	—	8,825,366	40,717,376	49,542,742
Financial liabilities disclosed at fair value				
Bonds issued	—	12,707,985	—	12,707,985

47. FAIR VALUE OF FINANCIAL INSTRUMENTS—continued

(b) Financial instruments for which fair value are disclosed—continued

The Bank—continued

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets disclosed at fair value				
Receivables	—	—	47,037,059	47,037,059
Held-to-maturity investments	—	19,037,393	—	19,037,393
	—	19,037,393	47,037,059	66,074,452
Financial liabilities disclosed at fair value				
Bonds issued	—	22,101,538	—	22,101,538

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets disclosed at fair value				
Receivables	—	—	75,927,399	75,927,399
Held-to-maturity investments	—	26,037,010	—	26,037,010
	—	26,037,010	—	101,964,409
Financial liabilities disclosed at fair value				
Bonds issued	—	92,189,741	—	92,189,741

Determination of fair value and fair value hierarchy

Financial assets at fair value through profit or loss and available-for-sale financial assets are stated at fair value by reference to the quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of discounted cash flows or pricing models. For debt securities, the fair values of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., and the valuation results are determined based on a valuation technique for which all significant inputs are observable market data.

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

(i) The receivables are not quoted in an active market. In the absence of any other relevant observable market, the fair values of receivables are estimated on the basis of pricing models or discounted cash flows.

(ii) The fair values of held-to-maturity investments, subordinated bonds and financial bonds are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

All of the abovementioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group and the Bank's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

47. FAIR VALUE OF FINANCIAL INSTRUMENTS—continued

(b) Financial instruments for which fair value are disclosed—continued

Determination of fair value and fair value hierarchy—continued

The following are the financial instruments for which their carrying amounts are the reasonable approximations of their fair values. The carrying amounts are reasonable approximation because, for example, these financial instruments are short-term in nature or repriced at current market rates frequently.

Assets	Liabilities
Cash and balances with central bank	Due to central bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements with banks and other financial institutions	Placements from banks and other financial institutions
Reverse repurchase agreements	Repurchase agreements
Loans and advances to customers	Due to customers
Other financial assets	Other financial liabilities

48. SUBSEQUENT EVENT

In accordance with the resolution of the Bank's 2016 Annual General Meeting held on 25 April, 2017, the shareholders approved the profit distribution plan for the year ended December 31, 2016 and declared cash dividends of RMB0.2 per share and in an aggregation amount of approximately RMB1,630,684 thousand to all the then existing shareholders.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Bank, the Group or any subsidiaries of the Group in respect of any period subsequent to 31 December 2016.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The information set out below does not form part of the Accountants' Report prepared by the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for information purpose only.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
(Expressed in thousands of Renminbi, unless otherwise stated)

In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplemental financial information as follow:

(a) Liquidity ratio

	31 December		
	2014	2015	2016
RMB current assets to RMB current liabilities	79.28%	74.44%	80.95%
Foreign currency current assets to foreign currency current liabilities	56.15%	49.08%	163.05%

	Average for year ended 31 December		
	2014	2015	2016
RMB current assets to RMB current liabilities	67.89%	77.18%	72.64%
Foreign currency current assets to foreign currency current liabilities	68.36%	49.85%	131.61%

These liquidity ratios are calculated based on relevant regulations provided by the CBRC and Chinese accounting policies.

(b) Leverage ratio
(Expressed in percentage)

	31 December
	2016
Leverage ratio	5.32%

Pursuant to the *Administrative Measures on the Leverage Ratio of Commercial Banks (revised 2015)* issued by the CBRC, effective from April 2015, a minimum leverage ratio of 4% is required.

(c) Currency concentrations

	USD	EUR	HKD	Others	Total
31 December 2014					
Current asset	3,625,125	7,839	152,245	17,066	3,802,275
Current liability	(3,547,390)	(7,771)	(151,983)	(17,066)	(3,724,210)
Net position	77,735	68	262	—	78,065
31 December 2015					
Current asset	2,775,180	4,327	166,714	14,171	2,960,392
Current liability	(2,704,694)	(4,265)	(167,012)	(14,232)	(2,890,203)
Forward sales	(16,234)	—	—	—	(16,234)
Net position	54,252	62	(298)	(61)	53,955
31 December 2016					
Current asset	1,435,656	5,635	631,406	13,250	2,085,947
Current liability	(1,366,800)	(5,568)	(631,110)	(13,250)	(2,016,728)
Net position	68,856	67	296	—	69,219

(d) Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

Cross-border claims include loans and advances to customers and due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	31 December		
	2014	2015	2016
Loans and advances to customers			
Asia Pacific excluding Mainland China	14,169	20,733	69,933
— of which attributed to Hong Kong	14,169	19,588	68,075
Europe	—	—	—
North and South America	—	—	—
Total	14,169	20,733	69,933

	31 December		
	2014	2015	2016
Deposits from banks and other financial institutions			
Asia Pacific excluding Mainland China	246,618	384,121	258,358
— of which attributed to Hong Kong	237,848	377,291	252,607
Europe	5,617	4,112	4,516
North and South America	135,524	105,405	169,350
Total	387,759	493,638	432,224

(e) Loans and advances to customers

(i) Overdue loans and advances to customers

	31 December		
	2014	2015	2016
Amount for overdue loans and advances to customers			
Between 3 and 6 months	358,059	1,193,507	1,207,852
Between 6 and 12 months	983,466	1,815,024	753,367
Over 12 months	995,256	1,718,027	3,043,326
	2,336,781	4,726,558	5,004,545
As a percentage of the total gross loans and advances to customers			
Between 3 and 6 months	0.19%	0.53%	0.49%
Between 6 and 12 months	0.53%	0.81%	0.31%
Over 12 months	0.54%	0.77%	1.24%
	1.26%	2.11%	2.04%

The definition of overdue loans and advances to customers is set out as follows:

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular installments, if part of the installments is overdue, the whole amounts of these loans and advances would be classified as overdue.

(f) Overdue due from banks and other financial institutions

The Group's gross due from banks and other financial institutions which have been overdue with respect to either principal or interest for a period of over 12 months is nil for the years ended 31 December 2014, 2015 and 2016.

(g) Overdue placements with banks and other financial institutions

	31 December		
	2014	2015	2016
The Group's gross placements with banks and other financial institutions which have been overdue with respect to either principal or interest for a period of:			
Over 12 months	513,135	513,135	—
As a percentage of total gross placements with banks and other financial institutions:			
Over 12 months	4.48%	23.32%	—

The information set forth in this appendix does not form part of the Accountants' Reports as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. For the purpose of this Appendix, Guangzhou Rural Commercial Bank Co., Ltd. is referred to as the "Bank" and, together with its subsidiary, the "Group".

The following unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is for illustrative purposes only, and is set out here to provide investors with further information about how the proposed listing of the shares of the Bank might have affected the consolidated net tangible assets after completion of the Global Offering. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and position of the financial period concerned.

(A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets have been prepared based on the consolidated net tangible assets as of 31 December 2016 as extracted from the Accountants' Report of the financial information of the Group for the years ended 31 December 2014, 2015 and 2016, the text of which is set out in Appendix I to this prospectus, and is adjusted as described below.

The unaudited pro forma adjusted consolidated net tangible assets have been prepared for illustrative purposes only and, because of their nature, they may not give a true picture of the financial position of the Group.

The following unaudited pro forma adjusted consolidated net tangible assets have been prepared to show the effect on the consolidated net tangible assets as of 31 December 2016 as if the Global Offering had occurred on 31 December 2016.

	Consolidated net tangible assets attributable to the equity holders of the Bank as at 31 December 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Bank	Unaudited pro forma adjusted consolidated net tangible assets per share	
	RMB'000 (Note 1)	**RMB'000 (Note 2)**	**RMB'000 (Note 3)**	**RMB (Note 4)**	**HK$ (Note 5)**
Based on offer price of HK$4.99 per each Offer Share	35,729,342	6,179,321	41,908,663	4.37	4.96
Based on offer price of HK$5.27 per each Offer Share	35,729,342	6,527,516	42,256,858	4.41	5.00

Notes:

(1) The consolidated net tangible assets attributable to equity holders of the Bank as of 31 December 2016 is compiled based on the Accountants' Report set out in Appendix I to the prospectus, which is based on the consolidated net assets attributable to equity holders of the Bank as of 31 December 2016 of RMB35,845,240 thousand with an adjustment for intangible assets of RMB115,898 thousand as of 31 December 2016.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$4.99 per share and HK$5.27 per share after deduction of the underwriting fees and other related expenses payable by the Bank, and do not take into account any shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Bank do not take into account the effect of the profit for the period from and including 1 January 2017 to the date immediately preceding the date of the Global Offering and the distribution of such profit to the shareholders during that period.

(4) The unaudited pro forma adjusted consolidated net tangible assets per share are arrived at after adjustments referred to in note (2) above on the basis that 9,592,418,539 shares (comprised 8,153,418,539 shares issued and outstanding on 31 December 2016 and 1,439,000,000 shares to be newly issued pursuant to the Global Offering) are issued and outstanding following the completion of the Global Offering and that the over-allotment option is not exercised.

(5) The translation of Renminbi into Hong Kong Dollars has been made at the rate of RMB0.88171 to HK$1.00, the median rate published by China Foreign Exchange Trade System with the authorization by PBoC on 26 May 2017. No representation is made that the Hong Kong Dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

(B) REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Guangzhou Rural Commercial Bank Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Guangzhou Rural Commercial Bank Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2016 and related notes as set out on pages III-1 to III-2 of the prospectus dated 8 June 2017 issued by the Company (the " Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note A of Appendix III to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as of 31 December 2016 as if the transaction had taken place as of 31 December 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2016, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the Reporting Accountants' judgement, having regard to the Reporting Accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

This Appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in Appendix VI—"Taxation and Foreign Exchange" to this prospectus. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to the Bank. This summary is not intended to include all the information which may be important to the potential investors. For discussion of laws and regulations which are relevant to the business of the Bank, please see "Supervision and Regulation" in this prospectus.

PRC LAWS AND REGULATIONS

A. The PRC Legal System

The PRC legal system is based on the PRC Constitution (the "Constitution") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress (the "NPC") and its Standing Committee are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The Standing Committee of the NPC is empowered to interpret, formulate and amend laws other than those required to be enacted by the NPC.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities directly under the center government and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If laws provide otherwise on the formulation of local regulations by cities divided into districts, such laws shall prevail. Such local regulations of cities divided into districts will become enforceable after being reported to and approved by the standing committees of the People's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of the provinces or autonomous regions concerned. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules of the people's governments of the respective provinces or autonomous regions, the standing committees of the people's congresses of provinces or autonomous regions shall resolve the issue. The ministries and commissions of the State Council, PBoC, NAO and the subordinate institutions with administrative functions directly under the State Council may formulate rules and regulations within the scope of authorization of the respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. Without provisions under laws or administrative regulations, decisions and orders of the State Council, the provisions of departmental rules shall not undermine the civil rights and rights of legal persons and other organizations or strengthen the regulations in respect of their obligations and shall not enhance the power or reduce the legal responsibilities of the respective departments. The people's governments of the provinces, autonomous regions, municipalities under the center government and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities under the center government.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to *the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law* (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws in a prosecution process should be interpreted by the Supreme People's Procuratorate, and the other issues related to laws other than the above-mentioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, local regulations which need to be further clarified or supplemented shall be interpreted and provided by the standing committees of the provinces, autonomous regions and municipalities under the center government which formulated the respective regulations while issues associated with specific application of local regulations shall be explained by the competent departments of the people's governments of the provinces, autonomous regions and municipalities under the center government.

B. The PRC Judicial System

Under the Constitution and *the Law of Organization of the People's Courts of the PRC* (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, the military courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are further divided into civil, criminal and economic divisions, and certain people's courts based on the natures of the region, population and cases. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other special divisions, such as the intellectual property division, if needed. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Procuratorate is authorized to supervise the judgment and ruling of the People's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorized to supervise the judgment and ruling of a People's court at lower levels which have been legally effective. The Supreme People's Court is the highest judicial authority in the PRC, and supervises the judicial execution by the people's courts at all levels.

The judgments or rulings of the second instance at the people's court are final. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at upper level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or a people's court at upper level discovers an error in a final and binding judgment or ruling by any people's court at a lower level, or the presiding judge of a people's court discovers an error in a final and binding judgment or ruling by the court over which he resides, a retrial of the case may be initiated according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "PRC Civil Procedure Law") adopted on April 9, 1991 and amended on October 28, 2007 and August 31, 2012 prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. However, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality or foreign enterprise or organization is generally given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, foreign enterprise or organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a PRC court and foreign court may request each other to serve legal documents, conduct investigation and collect evidence and conduct other actions on its behalf. A PRC court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation.

A party seeking to enforce a judgment or ruling of a people's court against another party who is not or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or ruling. Likewise, if the PRC has entered into either a treaty relating to judicial enforcement with the relevant foreign country or a relevant international convention, a foreign judgment or ruling may also be recognized and enforced in accordance with the PRC enforcement procedures by a PRC court based on equitable principles unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or would not be in the public interest.

C. The PRC Company Law, the Special Regulations and the Mandatory Provisions

The PRC Company Law was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013. The revised PRC Company Law came into effect on March 1, 2014.

The Special Regulations of the State Council on the Overseas Offering and the Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) ("the Special Regulations") were passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and promulgated and implemented on August 4, 1994. The Special Regulations include provisions in respect of the overseas share offering and listing of joint stock limited companies. The Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款) ("the Mandatory Provision") jointly promulgated by the former Securities Commission of the State Council and the former State Restructuring Commission on September 29, 1994 prescribe that the provisions should be incorporated in the articles of association of joint stock limited companies to be listed overseas stock exchanges. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix V— "Summary of Articles of Association" of this prospectus. References to a "company" made in this Appendix are to a joint stock limited company established under the PRC Company Law with H shares to be issued.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions.

General

A "joint stock limited company ("company")" refers to a corporate legal person established in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company is limited to the total amount of all assets it owns and the liability of its shareholders is limited to the extent of the shares they subscribe for.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by a minimum of two but no more than 200 promoters, and at least half of the promoters must be resident within the PRC. Companies incorporated by promotion are companies of which the entire registered capital is subscribed for by the promoters. Shares in the company shall not be offered to others unless the registered capital has been fully paid up. For companies incorporated by subscription, the registered capital is the total paid-up capital as registered with the relevant registration authorities. If laws, regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have confirmed the capital contribution under the articles of association, a board of directors and a supervisory board shall be elected and the board of directors shall apply for registration of incorporation by filing the articles of association with the company registration authority, and other documents as required by the law or administrative regulations.

Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided for by the laws or administrative regulations. A promoter who offers shares to the public must publish a share offering prospectus and prepare a share subscription form to be completed, signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under PRC law, and underwriting agreements shall be entered into. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and is obliged to furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a report thereon. The promoters shall convene an inauguration meeting within 30 days following the full payment of subscription money. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain under subscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days of the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the status of a legal person after approval of registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

A company's promoter shall be liable for:

(i) the debts and expenses incurred in the incorporation process jointly and severally if the company cannot be incorporated;

(ii) the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and

(iii) the compensation of any damages suffered by the company as a result of the promoters' default in the course of its incorporation.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of the laws or administrative regulations on valuation without any over-valuation or under-valuation.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any share subscriber (whether an entity or an individual). The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

A company must obtain the approval of CSRC to offer its shares to the overseas public. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be in registered form, denominated in Renminbi and subscribed for in foreign currency. Shares issued to foreign investors and investors from the territories of Hong Kong, Macau and Taiwan and listed in Hong Kong are classified as H shares, and those shares issued to investors within the PRC, except these regions above, are known as domestic shares. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of H shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued in addition to the number of underwritten shares.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters:

(i) the name and domicile of each shareholder;

(ii) the number of shares held by each shareholder;

(iii) the serial numbers of shares held by each shareholder; and

(iv) the date on which each shareholder acquired the shares.

Increase in Share Capital

Where a company is issuing new shares, resolutions shall be passed at general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

When a company launches a public issue of new shares upon the approval by CSRC, a new share offering prospectus and financial accounting report must be published and a subscription form must be prepared. After the new share issue of the company has been paid up, the change must be registered with the relevant administration bureau for industry and commerce and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the incorporation of a company.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and an inventory of assets;

(ii) the reduction of registered capital must be approved by shareholders at general meeting;

(iii) the company shall notify its creditors of the reduction in share capital within 10 days and publish an announcement of the reduction in newspapers within 30 days of the resolution approving the reduction being passed;

(iv) the creditors of the company may within the statutory time limit require the company to repay its debts or provide guarantees for covering the debts; and

(v) the company must apply to the relevant administration bureau for industry and commerce for registration of the change and reduction in registered capital.

Repurchase of Shares

A company may not repurchase its own shares other than for one of the following purposes:

(i) reducing its registered capital;

(ii) merging with another company which holds its shares;

(iii) granting shares to its employees as incentives; and

(iv) acquiring its own shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger or division.

The acquisition by a company of its own shares on the grounds set out in (i) to (iii) above must be approved by way of a resolution of a shareholders' general meeting. Following the acquisition by a company of its own shares in accordance with these requirements, such shares must be canceled within 10 days of the date of the acquisition in the case of (i) and transferred or canceled within six months in the case of (ii) or (iv).

The acquisition by a company of its own shares in accordance with (iii) under the first paragraph of this subsection shall not exceed 5% of the total number of issued shares of the company. Such acquisition shall be financed by funds allocated from the company's profits after taxation, and the shares so acquired shall be transferred to the employees within one year.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. A shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, subject to any otherwise stipulated legal provisions on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder. The Mandatory Provision provides that changes due to share transfer should not be made to shareholder registry within 30 days before a shareholders' general meeting or within 5 days before the record date for the purpose of determining entitlements to dividend distributions.

Shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law, the rights of shareholders include the rights:

(i) to receive a return on assets, participate in significant decision-making and select management personnel;

(ii) to petition the people's court to revoke any resolution passed at a shareholders' general meeting or a meeting of board of directors that has not been convened in compliance with the laws or the articles of association or whose voting has been conducted in an invalid manner, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution;

(iii) to transfer the shares of the shareholders according to the applicable laws and regulations and the articles of association;

(iv) to attend or appoint a proxy to attend shareholders' general meetings;

(v) to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory board and financial and accounting reports and to make suggestions or inquiries in respect of the company's operations;

(vi) to receive dividends in respect of the number of shares held;

(vii) to receive residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

(viii) any other shareholders' rights provided for in the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

(i) to decide on the company's operational objectives and investment plans;

(ii) to elect and remove the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;

(iii) to review and approve the reports of the board of directors;

(iv) to review and approve the reports of the supervisory board or supervisors;

(v) to review and approve the company's annual financial budgets and final accounts;

(vi) to review and approve the company's profit distribution proposals and loss recovery proposals;

(vii) to decide on any increase or reduction of the company's registered capital;

(viii) to decide on the issue of corporate bonds;

(ix) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(x) to amend the company's articles of association; and

(xi) to exercise any other authority stipulated in the articles of association.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

(i) the number of directors is less than the number stipulated by the laws or less than two-thirds of the number specified in the articles of association;

(ii) the outstanding losses of the company amounted to one-third of the company's total paid-in share capital;

(iii) shareholders individually or in aggregate holding 10% or more of the company's shares request that an extraordinary general meeting is convened;

(iv) the board deems necessary;

(v) the supervisory board so requests; or

(vi) any other circumstances as provided for in the articles of association.

A shareholders' general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall convene and preside over such meeting in a timely manner. If the supervisory board fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over such meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

In accordance with the Mandatory Provisions, a notice of the general meeting stating, among other things, matters to be considered at the meeting shall be given to all shareholders 45 days before the meeting. A shareholder who intends to attend the meeting shall deliver his written reply regarding his attendance of the meeting to the company 20 days before the date of the meeting.

Under the PRC Company Law, a single shareholder who holds, or several shareholders who jointly hold, three percent or more of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall, within two days upon receipt of the proposal, notify the other shareholders, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made.

The general meeting shall not make resolutions on matters that are not clearly listed in the notices given to the shareholders.

If holders of bearer stocks attend a general meeting, they shall have their stocks kept at the company from five days before the meeting is held till the conclusion of the meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights. Resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company must be approved by way of resolution of the general meeting, the directors shall convene a shareholders' general meeting promptly to vote on such matters. An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting.

Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Minutes shall be prepared in respect of matters considered at the general meeting and the shareholders attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

According to the Mandatory Provisions, the increase or reduction of share capital, the issuance of shares of any class, warrants or other similar securities and bonds, the division, merger, dissolution and liquidation of the company, the amendments to the articles of association and any other matters, which, as resolved by way of an ordinary resolution of the general meeting, may have a material impact on the company and require adoption by way of a special resolution, must be approved through special resolutions by no less than two-thirds of the voting rights held by shareholders present at the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' general meeting, although the Special Regulations and the Mandatory Provisions provide that a company's general meeting may be convened when written replies to the notice of that meeting from shareholders holding shares representing no less than 50% of the voting rights in the company have been received 20 days before the proposed date. If that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders again by announcement of the matters to be considered at the meeting and the date and venue of the meeting, and the general meeting may be held by the company thereafter.

The Mandatory Provisions require a special resolution to be passed at the general meeting and the approval of the affected class shareholders at a class meeting to be held in the event of a variation or derogation of the class rights of a shareholder class. For this purpose, holders of domestic shares and H Shares are deemed to be shareholders of different classes.

Board

A company shall have aboard, which shall consist of 5 to 19 members. Members of the board may include staff representatives, who shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly reelected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise its powers:

(i) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(ii) to implement the resolutions passed by the shareholders at the shareholders' general meetings;

(iii) to decide on the company's operational plans and investment proposals;

(iv) to formulate proposal for the company's annual financial budgets and final accounts;

(v) to formulate the company's profit distribution proposals and loss recovery proposals;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(viii) to decide on the setup of the company's internal management organs;

(ix) to appoint or dismiss the company's general manager and decide on his/her remuneration and, based on the general manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;

(x) to formulate the company's basic management system; and

(xi) to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization that his/her representative has.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company:

(i) a person who is unable or has limited ability to undertake any civil liabilities;

(ii) a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist economic order, or who has been deprived of his political rights due to his/her crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

(iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into in solvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and

(v) a person who is liable for a relatively large amount of debts that are overdue.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions.

The board shall appoint a chairman and may appoint a vice chairman.

The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

Supervisory Board

A company shall have a supervisory board composed of not less than three members. The supervisory board consists of representatives of the shareholders and an appropriate proportion of representatives of the company's staff. The actual proportion shall be determined in the articles of association, provided that the proportion of representatives of the company's staff shall not be less than one-third. Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of the supervisors.

According to *the Reply of the Overseas Listing Department of CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions Concerning the Supplement and Amendment to Articles of Association by Companies to be Listed in Hong Kong* (《中國證監會海外上市部、國家體改委生產體制司關於到香港上市公司對公司章程作補充修改的意見的函》), the chairman of the supervisory board shall be appointed by more than two-thirds of the supervisors.

The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or is not performing his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice chairman of the supervisory board is incapable of performing or is not performing his/her duties, a supervisor nominated by more than half of the supervisors shall convene and preside over supervisory board meetings. Directors and senior management shall not act concurrently as supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory board may exercise its powers:

(i) to review the company's financial position;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated any laws, regulations, the articles of association or shareholders' resolutions;

(iii) when the acts of a director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;

(iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(v) to submit proposals to the shareholders' general meetings;

(vi) to bring actions against directors and senior management pursuant to the relevant provisions of the PRC Company Law; and

(vii) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Manager and Senior Management

A company shall have a general manager who shall be appointed or removed by the board of directors. The general manager, who reports to the board of directors, may exercise his/her powers:

(i) to manage the production, operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;

(ii) to arrange for the implementation of the company's annual business plans and investment proposals;

(iii) to formulate proposals for the establishment of the company's internal management organs;

(iv) to formulate the fundamental management system of the company;

(v) to formulate the company's specific rules and regulations;

(vi) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;

(vii) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and

(viii) to exercise any other authority granted by the board of directors.

Other provisions in the articles of association on the general manager's powers shall also be complied with. The general manager shall be present at meetings of the board of directors. However, the general manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management refers to the general manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors, General Managers and Other Senior Management

Directors, supervisors, the general manager, the deputy manager and senior management are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and carry out their duties in good faith.

Directors, supervisors, managers and management personnel are prohibited from accepting bribes or other unlawful income and from misappropriating the company's property. Directors and senior management are prohibited from:

(i) misappropriating company funds;

(ii) depositing company funds into accounts under their own names or the names of other individuals;

(iii) loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the articles of association or without approval of the general meeting or the board of directors;

(iv) entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting or the board of directors;

(v) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;

(vi) accepting commissions paid by a third party for transactions conducted with the company;

(vii) unauthorized divulgence of confidential information of the company; and

(viii) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and materials to the supervisory board, or if a limited liability company has no supervisory board, supervisors, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes any law, regulation or the company's articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisory board violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institutes litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, general manager and other senior management shall have duty of loyalty to the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions in the company for their own benefits. The Mandatory Provisions contain detailed stipulations on these duties.

Finance and Accounting

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% or more of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium over the nominal value of the shares of the company on issue and other income as required by competent governmental department to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of any individual.

Appointment and Retirement of Auditors

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the company's auditing shall be determined by shareholders at a shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conduct a vote on the dismissal of the accounting firm on their respective meetings. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

The Special Regulations require a company to engage an independent qualified accounting firm to audit the company's annual reports and to review and check other financial reports of the company. The accounting firm's term of office shall commence from the end of the shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided. The Special Regulations require that any dividend and other distribution to H shareholders shall be declared and calculated in RMB and paid in foreign currency. Under the Mandatory Provisions, a company shall make foreign currency payments to shareholders through receiving agents.

Amendments to the Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to the Mandatory Provisions, the company may amend its articles of association according to the laws, administrative regulations and the articles of association. The amendment to articles of association involving content of the Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department authorized by the State Council, while the amendment to articles of association involving matters of company registration shall be registered with the relevant authority in accordance with applicable laws.

Dissolution and Liquidation

A company shall be dissolved for any of the following reasons:

(i) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(ii) the shareholders have resolved at a shareholders' general meeting to dissolve the company;

(iii) the company is dissolved by reason of its merger or division;

(iv) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws ; or

(v) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering on going existence of the company a cause for significant losses to the shareholders.

In the event of paragraph (i) above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph (i), (ii), (iv) or (v) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other person determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court, requesting that the court appoint relevant personnel to form a liquidation committee to conduct the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

(i) to dispose of the company's assets and to prepare a balance sheet and an inventory of assets;

(ii) to notify the company's creditors or publish announcements;

(iii) to deal with any outstanding business related to the liquidation;

(iv) to pay any overdue tax together with any tax arising during the liquidation process;

(v) to settle the company's financial claims and liabilities;

(vi) to handle the company's remaining assets after its debts have been paid off; and

(vii) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall, in making his claim, state all matters relevant to his creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining assets of the company, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot engage in operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before settlements are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the company registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to perform their duties in good faith and in compliance with relevant laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from CSRC, and the listing must be arranged in accordance with procedures specified by the State Council. Pursuant to The Special Regulations, a company may issue shares to overseas investors and list its shares overseas upon approval from CSRC. Subject to approval by CSRC of the company's plans to issue overseas-listed foreign invested shares and domestic shares the board of directors of the company may make arrangement to implement such plans for such two kinds of shares to be issued respectively, within fifteen (15) months from the date of approval by CSRC.

Loss of Share Certificates

If the share certificate(s) in registered form is either stolen, lost or destroyed, a shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court for a declaration that such certificate(s) will no longer be valid. After such declaration has been obtained, the shareholder may apply to the company for the issue of a replacement certificate(s).

A separate procedure regarding the loss of share certificates and H share certificates of the overseas listed foreign invested shareholders of the PRC is provided for in the Mandatory Provisions, details of which are set out in the articles of association.

Merger and Division

A merger agreement shall be signed by merging companies and the involved companies shall prepare their respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditor within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless an agreement in writing is reached with creditors in respect of the settlement of debts, the liabilities of the company which have accrued prior to such division shall be jointly borne by the separated companies.

Changes in the registration of the companies as a result of the merger or division shall, if so required, be registered with the relevant administration authority for industry and commerce.

In accordance with the laws, cancelation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

D. The PRC Securities Laws, Regulations and Regulatory Regimes

The PRC has promulgated a number of regulations that relate to the issuance and trading of our shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. On March 29, 1998, the State Council consolidated the aforementioned two departments and reformed CSRC.

The Provisional Regulations Concerning the Issuance and Trading of Shares (《股票發行與交易管理暫行條例》) govern the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, as well as the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

On December 25, 1995, the State Council promulgated *the Regulations of the State Council Concerning Domestic Listed Foreign Shares of regulations Joint Stock Limited Companies* (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally govern the issuance, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The PRC Securities Law took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013 and August 31, 2014, respectively. It was the first national securities law in the PRC, and is divided into 12 chapters and 240 articles regulating, among other matters, the issuance and trading of securities, takeovers of listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the PRC Securities Law provides that domestic enterprises must obtain prior approval from the State Council Securities regulatory authorities to list shares outside the PRC. Currently, the issuance and trading of foreign issued securities (including shares) are principally governed by the rules and regulations promulgated by the State Council and CSRC.

E. Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "PRC Arbitration Law") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009. It is applicable to economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement has lapsed.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, required by the Hong Kong Listing Rules, also in contracts between the company and each director or supervisor. Pursuant to such provision, whenever a dispute or claim arises from any right or obligation concerning the affairs of the company provided in the articles of association, the PRC Company Law or other relevant laws and administrative regulations among (i) the holders of overseas listed foreign shares and the company; (ii) the holders of overseas listed foreign shares and a holder of domestic shares; or (iii) the holders of overseas listed foreign shares and the company's directors, supervisors or other management personnel, such parties shall be required to refer such dispute or claim to arbitration at either the CIETAC or the HKIAC. Disputes in respect of the definition of shareholder and disputes in relation to the company's shareholder registry need not be resolved by arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the PRC Arbitration Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the award, the other party to the award may apply to a people's court for its enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee, or the making of an award on matters beyond the scope of the arbitration or the arbitration commission having no jurisdiction).

Any party seeking to enforce an arbitral award of a foreign affairs arbitration organ of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for enforcement of the award. Likewise, an arbitral award made by a foreign arbitration body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international convention concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only recognize and enforce foreign arbitral awards based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC law to be arising from contractual or non-contractual mercantile legal relations. An arrangement for reciprocal enforcement of arbitral awards between Hong Kong and the PRC was made on June 18, 1999 and became effective on February 1, 2000. The arrangement allows awards made by PRC arbitral authorities to be enforced in Hong Kong and awards by Hong Kong arbitral authorities to be enforced in the PRC.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong Company Law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital, shall be incorporated by the Registrar of Companies in Hong Kong and the company will acquire an independent corporate existence upon its incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain provisions that restrict a member's right to transfer shares. A public company's articles of association do not contain such provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or subscription. The amended PRC Company Law which came into effect on March 1, 2014 has no provision on the minimum registered capital of joint stock company, except that laws, administrative regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital, in which case the company should follow such provisions.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law provides that any increase in our registered capital must be approved by our shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the PRC Securities Law, a company which is approved by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB 30 million. There is no such restriction on companies incorporated in Hong Kong under Hong Kong law.

Under the PRC Company Law, the shares may be subscribed for in the form of money or nonmonetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and assets transfer procedures must be carried out to ensure no over-valuation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, our Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for and traded by the government or authorized government departments, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau or Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. However, qualified institutional investors and individual investors may trade southbound trading and SH northbound trading (or SZ northbound trading) shares via Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to the public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after such person has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of share sunder Hong Kong law apart from six-month lockup on the company's issuance of shares and the 12-month lockup on controlling shareholders' disposal of shares.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under the Hong Kong Company Law.

Variation of Class Rights

The PRC Company Law has no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate separate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the following approval procedure required in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix V—"Summary of Articles of Association" to this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders representing at least 75% of the total voting rights of holders of shares in the class in question, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors, Senior Management and Supervisors

The PRC Company Law, unlike Hong Kong Company Law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on interested contracts and specify the circumstances under which a director may receive compensation for loss of office.

Supervisory Board

Under the PRC Company Law, a joint stock limited company's directors and members of the senior management are subject to the supervision of supervisory board. There is no mandatory requirement for the establishment of supervisory board for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to acting in good faith and honestly in what he considers to be in the best interests of the company and to exercising the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their obligations and cause damages to a company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory board to initiate proceedings in the people's court. In the event that the supervisory board violates their obligations and cause damages to company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the supervisory board or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor (acting as agent for the shareholders) of a joint stock limited company is required to give an undertaking in favor of the company to allow minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either appoint a receiver or manager over the property or business of the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. According to the PRC Company Law, in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss in the interest of its shareholders, and where this cannot be resolved through other means, the shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the People's Court for the dissolution of the company. The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the entire or part of shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' General Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting and an extraordinary shareholders meeting must be given to shareholders no less than 20 days and 15 days before the meeting, respectively. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders and shareholders who plan to attend the meeting must send their writing replies to the company at least 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum period of notice is 21 days in the case of an annual general meeting and 14 days in other cases.

Quorum for Shareholders' General Meetings

Under the Companies Ordinance, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Voting

Under the Companies Ordinance, an ordinary resolution is passed at the general meeting by more than half of the votes and a special resolution is passed at the general meeting by no less than 75% of such votes. Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international accounting standards or the accounting standards of the place where the shares are listed and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP. The lower of the after-tax profits of a specific fiscal year stated in the statements prepared based on the above-mentioned principles shall prevail in the allocation of such profits. The company shall publish its financial reports twice in each accounting year. An interim financial report shall be published within 60 days after the end of the first six months of each accounting year, while an annual financial report shall be published within 120 days after the end of each accounting year.

The Special Regulations require that there should not be any contradiction between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings, share register, counterfoil of company debentures, resolutions of board meetings, resolutions of meetings of the supervisory board and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its shareholders under Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change the form of a joint stock limited liability company has to be approved by shareholders in general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other hand, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Mandatory Deductions

Under the PRC Company Law, a joint stock limited liability company is required to set aside certain prescribed percentages of its after tax profits for the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law, directors, supervisors and senior management should be loyal and diligent. Under the Mandatory Provisions, directors, supervisors and senior management are not permitted, without the knowledge and approval of the shareholders' general meeting, to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days under certain circumstances) in a year, whereas, as required by the PRC Company Law and the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' general meeting or within five days before the base date set for the purpose of distribution of dividends.

HONG KONG LISTING RULES

The Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

Compliance Advisor

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance advisor acceptable to the Hong Kong Stock Exchange for the period from its listing date up to the date of the publication of its financial results for the first full financial year commencing after the listing date. The compliance advisor should provide professional advice on continuous compliance with the Listing Rules and all other applicable laws and regulations, and to act at all times, in addition to its two authorized representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance advisor may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance advisor is fulfilling its responsibilities adequately, it may require the company to terminate the compliance advisor's appointment and appoint a replacement.

The compliance advisor must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

Accountants' Report

The accountants' report must normally be drawn up in conformity with: (a) HKFRS; or (b) IFRS; or (c) China Accounting Standards for Business Enterprises ("CASBE") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

Process Agent

A listed company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public Shareholding

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Listing Rules require that the aggregate amount of H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK$50 million. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the issuer is expected to have a market capitalization at the time of listing of more than HK$10,000 million.

Independent Non-Executive Directors and Supervisors

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the overall shareholders of the listed company will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate the standard of competence commensurate with their position as supervisors.

Restrictions on Repurchase of Securities

Subject to governmental approvals and the articles of association of the company, a listed company may repurchase its own shares on the Hong Kong Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of a special resolution of the holders of class shares at separate class meetings conducted in accordance with the articles of association is required for share repurchases. In seeking approvals, a listed company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The director must also state the consequences (if any) of any purchases which will arise under either or both of the Hong Kong Take overs Code and /or any similar PRC law to the best of directors' knowledge. Any general mandate given to directors to repurchase shares must not exceed 10% of the total number of its issued shares.

Redeemable Shares

A listed company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, directors are required to obtain approval by way of a special resolution of shareholders at general meeting, and the approvals by way of special resolutions of the holders of class shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with and as required by the articles of association, prior to authorizing, allotting, issuing or granting shares or securities convertible into shares, options, warrants or similar rights to subscribe for any shares or convertible securities.

No such approval will be required under the Listing Rules to the extent that (i) the existing shareholders have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and H shares as of the date of the passing of the relevant special resolution, or (ii) such shares are issued as part of the Company's plan at the time of its establishment to issue domestic shares and H shares and such plan is implemented within 15 months from the date of approval by the securities regulatory authority of the State Council.

Supervisors

A company listed or seeking a listing on the Hong Kong Stock Exchange is required to adopt rules governing dealings by the supervisors in securities of our Bank in terms no less exacting than those of the Model Code (set out in Appendix 10 to the Listing Rules) issued by the Hong Kong Stock Exchange.

A PRC issuer is required to obtain the approval of its shareholders at a general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the listed company or any of its subsidiaries: (1) the contract with the term exceeding three years; or (2) the contract expressly requiring the company (or its subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration of more than one year in order for it to terminate the contract.

The nomination and remuneration committee of the listed company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise shareholders on how to vote.

Amendment to Articles of Association

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would contravene the PRC Company Law, the Mandatory Provisions and the Listing Rules.

Documents for Inspection

A PRC issuer is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by its shareholders at reasonable charges of the following:

- a complete duplicate register of shareholders;
- a report showing the state of its issued share capital;
- its latest audited financial statements and the reports of the directors, auditors and supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by it since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown divided by class shares);
- copy of the latest annual return filed with the SAIC or other competent PRC authority; and
- for shareholders only, copies of minutes of shareholders' general meetings.

Receiving Agents

Under Hong Kong law, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owed in respect of the H shares. Such monies will be held, pending payment, in trust for the holders of such H shares.

Statements in Share Certificates

A PRC issuer is required to ensure that all of its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of such shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the company and each shareholder, and the Company agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and its articles of association;
- agrees with the company, each shareholder, director, supervisor, manager and other senior management and the Company (acting both for the company and for each director, supervisor, manager and other senior management) agrees with each shareholder to refer all differences and claims arising from any rights or obligations conferred or imposed by the articles of association, the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the articles of association. Any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, and such arbitration shall be final and conclusive;
- agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and
- authorizes the company to enter into a contract on his behalf with each director and senior management whereby such directors and senior management undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

Legal Compliance

A PRC issuer is required to observe and comply with the PRC Company Law, the Special Regulations and its articles of association.

Contract between the PRC Issuer and Directors, Senior Management and Supervisors

A PRC issuer is required to enter into a contract in writing with every director and senior management containing at least the following provisions:

- an undertaking by the director or senior management to the Company to observe and comply with the PRC Company Law, the Special Regulations, its articles of association, the Hong Kong Takeovers Code and an agreement that it must have the remedies provided in its articles of association, and neither the contract nor his office is capable of assignment;
- an undertaking to the Company by the director or senior management acting as agent for each shareholder to observe and comply with his obligations to the shareholders as stipulated in the articles of association; and
- an arbitration clause which provides that whenever any differences or claims arise from any rights or obligations conferred or imposed by the contract, the articles of association, or the PRC Company Law or other relevant law and administrative regulations concerning affairs among us and the directors or senior management and among a holder of H shares and the directors or senior management, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitration institution

elected by the claimant. Such arbitration will be final and conclusive. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of the HKIAC. PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by laws or administrative regulations. The award of the arbitration institution is final and shall be binding on the parties thereto. Disputes over qualification of shareholder and over the share register do not have to be resolved through arbitration.

A PRC issuer is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms.

Subsequent Listing

A PRC issuer must not apply for the listing of its H shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of its H shares are adequately protected.

English Translation

All notices or other documents required under the Listing Rules to be sent by a PRC issuer to the Hong Kong Stock Exchange or to holders of the H Shares are required to be in English, or accompanied by a certified English translation.

General

If any change in the PRC laws or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of H shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC laws or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of any company's listing.

OTHER LEGAL AND REGULATORY PROVISIONS

Upon the listing on the Hong Kong Stock Exchange, the provisions of the SFO, the Hong Kong Takeovers Code and such other relevant ordinances and regulations will apply to a PRC issuer.

SECURITIES ARBITRATION RULES

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party, or any witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Any person wishing to have detailed advice on PRC laws or the laws of any jurisdiction is recommended to seek independent legal advice.

Set out below is a summary of the principal provisions of our Articles of Association, the principal objective of which is to provide investors with an overview of our Articles of Association.

As the information contained below is in summary form, it does not contain all the information that may be important to potential investors. Copies of the full English and Chinese texts of our Articles of Association are available for inspection as mentioned in Appendix VIII—"Documents Delivered to the Registrar of Companies and Available for Inspection."

Our Articles of Association were adopted by our Shareholders in the shareholders' general meeting held on September 7, 2016 and were approved by CBRC Guangdong Office on December 23, 2016. Our Articles of Association will become effective on the date when our H Shares are listed on the Hong Kong Stock Exchange.

DIRECTORS AND OTHER SENIOR MANAGEMENT

Power to Allot and Issue Shares

There is no provision in our Articles of Association empowering the Directors to allot and issue Shares.

To increase the capital of our Bank, the proposal must be submitted for approval by special resolution of the shareholders' general meeting.

Power to Dispose of the Assets of the Bank or Any Subsidiaries

The Board shall not dispose of or agree to dispose of any fixed assets without approval by the general meeting if the sum of the expected value of the fixed assets to be disposed of and the value derived from the disposal of fixed assets within 4 months before such proposal to dispose of the fixed assets exceeds 33% of the value of the fixed assets as shown on the latest audited balance sheet considered and approved by the general meeting. Disposals of the fixed assets mentioned in this paragraph include transfer of some asset interests, but do not include guarantee provided by pledge of fixed assets.

The effectiveness of any disposal by the Bank of the fixed assets shall not be affected by any breach of the foregoing provisions in the above paragraph.

Chief Officers and Their Duties

The Bank has set up a chief officer accountability system in respect of operation and management. The chief officers shall be appointed by the Board and shall report to the Board. The authorization and responsibilities of chief officers shall be specified by the Board. Vice presidents, assistants to presidents and business directors of the Bank may be appointed as chief officers. The Bank may also appoint other persons as chief officers. The chief officers shall report their work in operation and management to both of the Board and presidents at least once every quarter.

The Bank has chief financial officer, chief risk officer, chief information officer and other chief officers as appointed by the Board.

REMUNERATIONS AND COMPENSATION FOR LOSS OF OFFICE

The Bank shall conclude written contracts with Directors and Supervisors in relation to their remunerations, subject to prior approval at a general meeting. The aforesaid remunerations shall include:

(a) remunerations as Directors, Supervisors or Senior Management of the Bank;

(b) remunerations as Directors, Supervisors or Senior Management of the subsidiaries of the Bank;

(c) remunerations for providing other services for the management of the Bank and its subsidiaries;

(d) compensations for the said Directors or Supervisors for losing their positions or for retirement.

Save as specified in the aforesaid contracts, the Directors and Supervisors shall not file a lawsuit against the Bank for the aforesaid interests.

The Bank shall specify in the contracts concluded with the Directors or Supervisors in relation to remunerations that if the Bank is acquired, the Directors or Supervisors of the Bank shall, with the prior approval at the general meeting, have the right to seek compensations or other monies for losing their positions or for retirement. The acquisition in the preceding paragraph refers to any of the following circumstances:

(a) tender offer of any person to all the Shareholders;

(b) tender offer of any person to become a controlling shareholder. See the definition of “Controlling Shareholder” under “Rights of Minority Shareholders.”

Any monies received by the relevant Directors or Supervisors in violation of the provision shall belong to those who sell their Shares in response to the aforesaid tender offer, and the said Directors or Supervisors shall bear the expenses for distributing the said monies in proportion, which expenses shall not be deducted from the said monies.

LOANS TO DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank shall not, directly or indirectly, provide loans or loan guarantees for its and its parent company’s Directors, Supervisors, managers or senior management, nor shall it provide the same to their related persons. The Bank may provide loan or loan guarantee to relevant Directors, Supervisors, managers, senior officers and their connected persons if the scope of normal business of the Bank includes provision of loans and loan guarantees, but provision of loans or loan guarantees shall be subject to normal business conditions.

If the Bank provides loans in violation of the preceding provisions, the recipient of the loans or borrowers shall return the same immediately regardless of the loan conditions. If the Bank provides loan guarantee in violation of the preceding provisions, the loans or loan guarantee cannot be enforceable, except:

(a) when provided loan to a connected person of the Bank’s Directors, Supervisors and senior officers and the creditor was not aware;

(b) the secured property provided by the Bank has been sold to a bona fide purchaser by the creditor.

FINANCIAL ASSISTANCE FOR THE ACQUISITION OF SHARES IN THE BANK

The Bank (including our branches and sub-branches) or the subsidiaries shall not offer any financial assistance at any time by any means to purchasers or prospective purchasers of the Shares of the Bank. The purchasers of the shares of the Bank as mentioned above shall include the persons who have directly or indirectly assumed obligations as a result of the purchase of the shares of the Bank.

The Bank (including our branches and sub-branches) or the subsidiaries shall not offer any financial assistance at any time and by any means in order to reduce or relieve the obligations of the aforesaid persons.

The acts listed below shall not be prohibited by the preceding paragraph:

(a) the financial assistance provided by the Bank is genuinely for the interests of the Bank and the main purpose of the financial assistance is not to purchase Shares of the Bank, or the financial assistance is an incidental part of the Bank's overall plans;

(b) any lawful distribution of the Bank's assets in the form of dividends;

(c) distribution of dividends in the form of Shares;

(d) reduction of registered capital, repurchase of Shares, shareholding restructuring, etc., in accordance with the Articles of Association;

(e) provision of loans by the Bank within its scope of business and in the ordinary course of business (provided that the provision does not lead to a reduction in the net assets of the Bank or that if this causes a reduction, the financial assistance is taken from the distributable profits of the Bank);

(f) provision of any funds by the Bank for an employee stock ownership plan (provided that this does not lead to a reduction in the net assets of the Bank or that if there causes a reduction, the financial assistance is taken from the distributable profits of the Bank).

The financial assistance stated in our Articles of Association shall include but is not limited to:

(a) gifts;

(b) guarantees (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensations (other than compensation given for acts where the Bank is at fault) or the release or waiver of any rights;

(c) the provision of loans or the entrance into any agreement under which the obligations of the Bank are to be fulfilled before the obligations of another party, and a change in the parties to, or the novation of, or the assignment of rights arising under such loans or agreement;

(d) any other form of financial assistance given by the Bank when the Bank is insolvent, has no net assets, or when the net assets of the Bank would be reduced to a material extent as a result of such financial assistance.

The obligations herein referred to shall include the obligations of an obligator which have arisen by entering into a contract or making of an arrangement (regardless of whether such agreement or arrangement is enforceable, or whether such obligations are assumed by the obligator individually or jointly with any other person) or any obligations that arise out of any changes made in any other way to the obligator's financial condition.

DISCLOSURE OF INTERESTS IN CONTRACTS WITH THE BANK

If a Director or any of his associates (as defined in the Hong Kong Listing Rules), Supervisor, and Senior Manager of the Bank have any direct or indirect material interests in any contract, transaction or arrangement already concluded or under planning with the Bank (exclusive of the engagement contract between the Bank and a Director, Supervisor, Senior Manager), he shall disclose the nature and extent of the said interests to the Board as soon as possible, regardless whether the relevant matters are subject to approval by the Board in normal circumstances.

Unless the Director, Supervisor, Senior Manager of the Bank having material interests has disclosed the said interests to the Board according to the aforesaid requirements, and the Board has not counted him in the quorum and he did not vote at a meeting to approve the said matter, the Bank has the right to revoke the said contracts, transactions or arrangements, save for the circumstance in which the other parties are bona fide parties without any knowledge on the violation of obligations of the said Director, Supervisor, Senior Manager.

If a connected person of a Director, Supervisor, senior officers of the Bank has any interests in a given contract, transaction or arrangement, the said Director, Supervisor, senior officers shall be deemed as having interests.

If, before the Bank concludes the relevant contract, transaction or arrangement for the first time, the Director, Supervisor or Senior Manager of the Bank has notified the Board and Board of Supervisors that he will have interests in the contract, transaction or arrangement concluded in the future for the reasons set out in the notice, then within the scope set out in the notice, he will be deemed as having made such disclosures as required above. When the conditions are met, a professional liability insurance system may be established in respect of the Directors, Supervisors and senior officers and proper insurance may be arranged in case of legal actions to be encountered, subject to the approval of the shareholder's general meeting.

Remuneration

Remuneration of the Directors is subject to the approval of the shareholders' general meeting. See "—Remunerations and Compensation for Loss of Office" above.

APPOINTMENT, REMOVAL

The qualification of the Directors, Supervisors and senior management of the Bank shall comply with the laws, regulations, regulatory provisions and the Articles of Association. The banking regulators of the State Council shall evaluate the qualifications of Directors and senior officers in accordance with the aforementioned requirement. Directors shall be elected or replaced at a general meeting. The term of office of the Directors shall be three years. Upon expiry of the current term of office, a Director shall be eligible for re-election and reappointment.

The Nomination and Remuneration Committee of the Board of Directors, Shareholders of the Bank who hold more than 1% of the total voting rights Shares of the Bank individually or jointly, the Board of Directors and the Board of Supervisors of the Bank may propose nominate candidates for independent Directors to the Board who shall be elected by the shareholder's general meeting. Shareholders who have proposed nominate candidates for Directors shall not have the right to propose nominate candidates for independent Directors. Each term of office of an independent Director shall be the same as that of a Director of the Bank. Upon expiry of the office term, an independent Director shall be eligible for re-election and reappointment. An independent Director shall serve in the Bank for no more than a cumulative period of six years.

The Board of Directors of the Bank shall comprise thirteen to nineteen members; the Board shall have one chairman and one or two vice chairman; the independent Directors of the Bank shall not be less than 1/3 of all Directors in number and there shall be at least one independent Director with expertise in accounting. The chairman and the vice chairman of the Board shall be appointed and removed by vote of more than half of the Directors.

The Chairman and President shall be held by different persons.

A person shall not serve as Director, Supervisor and Senior Manager of the Bank if he/she:

(a) has no capacity or limited capacity for civil conduct;

(b) has committed an offense of corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order and has been punished because of committing such offense; or who has been deprived of his political rights due to committing crime;

(c) was a former director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation because of bad management and was personally liable for the insolvency of such company or enterprise;

(d) was a former legal representative of a company or enterprise of which the business license has been revoked due to violation of the law and has incurred personal liability in relation thereto;

(e) has a relatively large amount of personal debts due and outstanding;

(f) has been prohibited from participating in the securities market by CSRC, where the term of such prohibition has not expired;

(g) had been the officer-in-charge of a stock exchange or securities registration and clearing institution or director, supervisor or Senior Manager of a securities company who was dismissed for any act against the law or misconduct, where less than five years have elapsed since the date of dismissal;

(h) has been convicted of contravention of provisions of relevant securities regulations by relevant competent authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five years have elapsed since the date of the conviction;

(i) had been a lawyer, certified public accountant or a professional of an investment consulting institution, financial consulting institution, credit rating institution, asset valuation institution or certification institution who was disqualified for any act against the law or misconduct, where less than five years have elapsed since the date of disqualification;

(j) was an officer of a government authority, or other person prohibited by laws, regulations, regulatory provisions and other rules of securities regulatory authorities in the places where the Shares of the Bank are listed from concurrently holding position in the Company;

(k) was subject to administrative penalty by financial regulatory authorities due to material violation of laws or regulations, where less than three years have elapsed since the completion of execution of such penalty;

(l) has been disqualified by CSRC, where less than three years have elapsed since the date of disqualification;

(m) has been identified as inappropriate for a position by CSRC, where less than two years have elapsed since the date of identification;

(n) is not eligible for enterprise leadership according to the laws and administrative regulation;

(o) is not a natural person;

(p) is subject to investigation by judicial body for violation of criminal law where the said investigation has not yet been concluded;

(q) is any other person who is not eligible for enterprise leadership according to the laws, regulations, regulatory provisions and the Articles of Association.

Any election, appointment or engagement of a Director, Supervisor or senior management in violation of the above provisions shall be invalid. The Bank shall dismiss the Director, Supervisor and senior management if he/she is involved in the said circumstances during his/her term of office.

The validity of an act of a Director and senior officers of the Bank on behalf of the Bank to a bona fide third party is not affected by any irregularity in his office, election or qualification.

BORROWING POWERS

The Articles of Association do not specifically provide for the manner in which borrowing powers may be exercised or any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

(a) provision which authorizes the Board to formulate proposals for the issuance of bonds and other securities and public listing plans;

(b) provision which provides that the issuance of bonds or other securities by the Bank and listing shall be approved by the shareholders' general meeting by a special resolution.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE BANK

Any amendments to the Articles of Association shall be subject to approval by special resolution of the shareholders' general meeting. Any amendments shall be approved by the banking regulatory authorities of the State Council. Contents related to the Mandatory Provisions for Inclusion in the Articles of Association of Companies Incorporated in the PRC to be Listed Overseas (到境外上市公司章程必備條款) shall only become effective upon the approval of the company regulator authorized by the State Council and securities regulator of the State Council. Where registration is necessary for the amendments, such registration shall be carried out in compliance with the relevant laws.

CHANGE OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

The Bank's proposal to amend or abrogate the rights of class Shareholders shall be subject to approval by way of a special resolution at a general meeting and approval by the Shareholders of the class so affected at a class meeting convened in accordance with the requirements of our Articles of Association.

The following circumstances shall be deemed to be a change or abrogation of the rights of certain class Shareholders:

(a) the increase or decrease in the number of Shares of such class, or the increase or decrease in the number of Shares of a class having equal or additional voting rights, distribution rights or other privileges;

(b) to convert all or part of a class of Shares into another class, or to convert all or part of another class of Shares into that class of Shares, or to grant such conversion right;

(c) the removal or reduction of rights to accrued dividends or cumulative dividends attached to Shares of such class;

(d) the reduction or removal of pre-emptive rights to obtain dividends or property distribution in the liquidation of the Bank;

(e) the increase, removal or reduction of conversion rights, options, voting rights, transfer or pre-emptive rights or rights to acquire securities of the Bank attached to Shares of such class;

(f) the removal or reduction of rights to receive amounts payable by the Bank in particular currencies attached to Shares of such class;

(g) the creation of a new class of Shares having equal or additional voting rights, distribution rights or other privileges;

(h) the imposition of restrictions or additional restrictions on the transfer of ownership of the Shares of such class;

(i) the issue of rights to subscribe for, or convert into, Shares of such class or another class;

(j) the increase in rights or privileges of Shares of another class;

(k) the restructuring of the Bank which will result in Shareholders of different classes bearing a disproportionate liability in such proposed restructuring;

(l) the amendment or abrogation of the provisions regarding the special procedures for voting by a class Shareholder as contained in our Articles of Association.

In relation to the matters mentioned in (b) to (h), (k) and (l) above, no matter the affected class shareholders have voting right at a general meeting or not, shall be entitled to vote at the class meeting. However, interested Shareholders (as defined below) shall not be entitled to vote at class meeting.

Resolutions of a class meeting shall be passed by votes representing two-thirds or more of the voting rights of Shareholders of that class attending the class meeting.

When convening a class meeting, the Bank shall give written notice to all Shareholders whose names appear in the register of Shareholders of such class forty-five days prior to the convening of the meeting to inform them of the matters proposed to be considered and the date and venue of the meeting.

Notice of a class meeting shall be served exclusively on Shareholders entitled to vote at such meeting.

The procedures of any class meeting shall be conducted in a similar manner as any general meeting as much as possible. Provisions in the Articles of Associations which relate to the convening procedures of general meeting shall apply to class meeting.

Apart from holders of other classes of Shares, holders of domestic Shares and overseas listed foreign Shares shall be regarded as holders of different classes of Shares.

The special procedures for voting by a class Shareholder shall not apply in the following circumstances:

(a) any proposed issue of domestic Shares and foreign investment Shares by the Bank in every twelve months, whether separate or concurrent, if such proposed issue of domestic Shares and overseas listed foreign Shares are approved by the Shareholders in a general meeting by way of special resolution, and the number of domestic Shares and overseas listed foreign Shares proposed to be issued by the Bank does not exceed 20% of the Shares of such class in issue;

(b) where the Bank's plan to issue domestic Shares and overseas listed foreign Shares at the time of its establishment is carried out within fifteen months from the date of approval of the securities regulator under the State Council;

(c) with the approval of such relevant regulators as the banking regulatory authorities of the State Council and the securities regulator under the State Council, holders of domestic Shares of the Bank transfer the Shares to holders of foreign investment Shares, and list and trade the Shares overseas.

For the purposes of the class rights provisions of our Articles of Association, the meaning of "interested Shareholder(s)" shall have the following meaning:

(a) in the case of a repurchase by the Bank of Shares by pro rata offers to all Shareholders or public dealing on the stock exchange according to the Articles of Association, a controlling Shareholder within the meaning defined in the Articles of Association;

(b) in the case of a repurchase by the Bank of Shares by an off-market agreement outside of the stock exchange under the Articles of Association, a Shareholder to whom the proposed agreement relates;

(c) in the case of a restructuring of the Bank, a Shareholder within a class who bears less than a proportionate burden imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of other Shareholders of that class.

RESOLUTIONS—MAJORITY REQUIRED

Resolutions of a general meeting shall consist of ordinary resolutions and special resolutions.

Ordinary resolutions shall be adopted by votes representing more than 1/2 of the voting rights held by Shareholders (including proxies thereof) attending the general meeting.

Special resolutions shall be approved by votes representing more than two-thirds of the voting rights held by Shareholders (including proxies thereof) attending the general meeting.

VOTING RIGHTS

When voting on shareholder meetings, shareholders (including proxies thereof) shall exercise their voting rights as per the number of the voting Shares they represent. Each share carries the right to one vote.

When a ballot is held, Shareholders (including proxies) who have two or more votes need not use all of their voting rights in the same way.

REQUIREMENT FOR ANNUAL GENERAL MEETINGS

Annual general meeting shall be held once a year and shall be held within six months of the end date of the previous financial year.

ACCOUNTS AND AUDIT

The Bank shall establish a financial and accounting system in accordance with the laws, administrative regulations and the China accounting standards set by the competent authorities under the State Council. The Bank implements an internal audit system, and was equipped with full-time auditors, who will supervise the Bank's financial and economic activities.

Our Board shall have an Audit Committee. In principle, the persons in charge of Audit Committee shall be independent Directors. The number of independent directors shall account for more than half of the number of the Audit Committee members. Audit Committee members shall have the appropriate accounting, auditing or financial expertise and experience.

The financial statements of the Bank shall be prepared in accordance with the PRC accounting standards and regulations as well as the international accounting standards or the accounting standards of the place where the Shares are listed. If there are any major differences between the financial statements prepared in accordance with the two accounting standards, such differences shall be stated in the notes to the financial statements. The Bank shall distribute the less of after-tax profits in a given accounting year as stated in the aforesaid two financial statements.

The Bank shall publish financial reports twice every financial year, that is to publish a half-year financial report within 60 days from the date of the end of the first six months of each financial year and an annual financial report within 120 days from the end date of the financial year respectively. If the securities regulators in the place where the Shares are listed have regulations otherwise, such regulations shall prevail. The Board is responsible for disclosing the Bank's information, and be liable for the authenticity, accuracy, completeness and timeliness of financial statements and accounting reports. The interim results or financial information shall be prepared in accordance with the PRC accounting standards and laws and regulations as well as the international accounting standards or the accounting standards of the place where Shares are listed.

Unless otherwise provided in the Articles of Association, the Bank shall dispatch the abovementioned reports or report of the directors together with the balance sheet (including every documents that the laws require as appendixes of the balance sheet) and profit and loss statement or income and expenditure statement, or summary financial report to each holder of overseas listed foreign Shares (according to the addresses on register of Shareholders), deliver or by post, at least 21 days before the convening of the annual general meeting of Shareholders. If holder of overseas listed foreign Shares qualifies for the laws, regulations and regulatory provisions, the Bank may deliver abovementioned reports by publishing on the Bank's website, Hong Kong Stock Exchange's website or other websites regulated by the Hong Kong Listing Rules every now and then. If the securities regulators in the place where the Shares are listed have regulations otherwise, such regulations shall prevail.

NOTICE OF MEETINGS AND MATTERS TO BE CONSIDERED

General meetings consist of annual general meetings and extraordinary general meetings.

An extraordinary Shareholders' meeting shall be held by the Board within two months of the date of the occurrence of any of the following events:

(a) the number of Directors is less than the number required by the Company Law or less than 2/3 of the number required by the Articles of Association;

(b) the outstanding losses of the Bank has reached 1/3 of the contributed total amount of the share capital of the Bank;

(c) the Shareholders who individually or jointly hold more than 10% of the total voting rights Shares have requested in writing to convene such a meeting (number of Shares held shall be calculated as of the date of request in writing made by the Shareholders);

(d) when the Board deems necessary to convene such a meeting;

(e) when the Board of Supervisors suggests to convene such a meeting;

(f) in other circumstances as provided by laws, regulations, regulatory provisions or the Articles of Association.

Where a general meeting of the Bank is convened, the convener shall give written notice to all Shareholders whose names appear in the register of Shareholders 45 days prior to the meeting to inform them of the matters proposed to be considered and the date and venue of the meeting. Any Shareholders intending to attend shall deliver to the Bank a written reply indicating his intention to attend such meeting 20 days before the meeting.

Based on the written replies received 20 days before a general meeting, the Bank shall calculate the number of the voting rights Shares represented by the Shareholders intending to attend the meeting. Where the number of the voting right Shares represented by the Shareholders intending to attend the meeting is more than 1/2 of the total number of the voting rights Shares of the Bank, the Bank may convene such general meeting; otherwise, the Bank shall, within five days, inform the Shareholders again of the matters to be deliberated at the meeting, the date and venue of the meeting by means of a public announcement. After making such announcement, the Bank may convene the general meeting. Matters not contained in the announcement shall not be determined at the extraordinary general meeting.

The notice of a general meeting shall:

(a) be in writing;

(b) contain the venue, date, time and term of the meeting;

(c) contain the matters for deliberation at the meeting;

(d) provide Shareholders with such information and explanation as necessary for them to make informed decisions in respect of the matters to be discussed; this means (but is not limited to): when any merger, share repurchase, share capital restructuring or other restructuring proposals raised by the Bank is involved, the detailed conditions and contract (if any) for the contemplated transactions and any explanations as to the cause and effect of such contemplated transactions shall be provided;

(e) if any Directors, Supervisors, or other Senior Management have any material interest in the matters to be discussed, the nature and extent of such interest shall be disclosed; if the matters to be discussed have an effect on such Directors, Supervisors, and Senior Management as the Shareholders different from the effect on the Shareholders of the class, an explanation shall be made in respect of such difference;

(f) contain the full text of any special resolutions intended to be adopted at the meeting;

(g) contain clear written explanation that all Shareholders are entitled to attend the general meeting or appoint proxies to attend and vote at such a meeting in writing and that such a proxy needs not to be a Shareholder;

(h) specify the time and venue for delivering the power of attorney for the voting proxy for the meeting;

(i) specify the equity registration date of the Shareholders entitled to attend the general meeting;

(j) contain the name and telephone of number of the contact person for the meeting;

(k) other requirements as provide for in the laws, regulations, regulatory provisions, Articles of Association and the relevant regulatory authorities.

Unless otherwise provided by laws, regulations, regulatory provisions and the Articles of Association, the notice of the general meeting shall be served on all Shareholders (whether or not such Shareholder is entitled to vote at the general meeting) by personal delivery or by pre-paid mail. The address of the recipient shall be the registered address as shown in the register of members. For holders of domestic Shares, the notice of Shareholders' general meeting may be published by way of an announcement.

The announcement mentioned in the preceding paragraph shall be published in one or more newspapers designated by the securities regulator under the State Council between 45 days to 50 days prior to the meeting. Once the announcement has made, all holders of domestic Shares shall be deemed to have received the notice of the general meeting.

The accidental omission to give notice of meeting to, or the non-receipt of notice of meeting by, any person entitled to receive notice shall not invalidate the meeting held and the resolutions adopted at such meeting.

The general meeting shall be an organ of power of the Bank and shall exercise the following powers in accordance with the law:

(a) to decide on business policies and investment plans of the Bank;

(b) to elect and replace Directors and Supervisors who are not employee representatives and decide on the remuneration of relevant Directors and Supervisors;

(c) to examine and approve reports prepared by the Board of Directors;

(d) to examine and approve reports prepared by the Supervisory Board;

(e) to examine and approve annual financial budgets plans, final accounts, balance sheet, profit report and other financial reports;

(f) to examine and approve profit distribution plans and plans for making up for losses of the Bank;

(g) to adopt resolutions concerning the increase and reduction of the registered capital of the Bank;

(h) to adopt resolutions on the issuance of bonds and other securities of the Bank and the listing thereof;

(i) to adopt resolutions on the merger, division, dissolution, liquidation and change of the form of the Bank;

(j) to amend the Articles of Association;

(k) to adopt resolutions on the appointment, removal and non-reappointment of accounting firm of the Bank;

(l) to examine and approve issues of fixed asset investment, external guarantees, external investment, acquisition and disposal of assets, asset mortgage, entrusting other bodies to manage capital or other assets of the Bank as required by the laws, regulations, regulatory provisions, the Article of Association and other internal regulations to be approved by a general meeting;

(m) to examine and approve any proposals submitted by any Shareholder who individually or jointly hold more than 3% of the total voting rights Shares of the Bank; and

(n) to examine and approve any other matters required by the laws, regulations, regulatory provisions and the Articles of Association to be approved by a general meeting.

The following matters shall be approved by special resolutions at a general meeting:

(a) increase or decrease of the registered capital of the Bank or issuance of securities, certificate of contribution (認股證) and other similar types of securities of the Bank;

(b) issuance of bonds or securities of the Bank and the listing thereof;

(c) merger, division, dissolution and liquidation of the Bank or change of the form of the Bank;

(d) amendment to the Articles of Association;

(e) any other matters as required by the laws, regulations, regulatory provisions, the Article of Association or determined by an ordinary resolution at a general meeting that may have material effect on the Bank and must be approved by special resolutions.

The following matters shall be approved by ordinary resolutions at a general meeting:

(a) the work reports of the Board of Directors and the Board of Supervisor;

(b) the profit distribution plans and loss recovery plans prepared by the Board of Directors;

(c) election and replacement of members of the Board of Directors and the Supervisory Board, the remunerations of the relevant Directors and Supervisors and the payment thereof;

(d) the annual financial budgets, final accounts, balance sheet, profit report and other financial reports of the Bank;

(e) the annual report of the Bank;

(f) matters other than those required by the laws, regulations and the Articles of Association to be approved by special resolutions.

TRANSFER OF SHARES AND PLEDGE OF SHARES

Except as otherwise provided for in the laws, regulations and regulatory requirements, the Shares held by Shareholders of the Bank shall not be withdrawn, but may be transferred, inherited and gifted in accordance with the relevant management rules of the Bank. Except as otherwise provided for in the laws, administrative regulations or the securities regulator of the place where the Shares are listed, fully paid Shares of the Bank may be transferred freely and shall be free from any liens. Any transfer of the Shares of the Bank shall be registered with the local share registry authorized by the Bank.

All fully paid H Shares may be freely transferred in accordance with the Articles of Association; however, unless the following conditions are met, the Board may refuse to recognize any transfer documents without any reasons:

(a) documents related to the title or affecting the transfer of the title of any Shares have been registered, and the Bank has been paid all fees as stipulated in the Hong Kong Listing Rules, which shall not exceed the maximum fees as specified in the Hong Kong Listing Rules as may be amended from time to time;

(b) the transfer documents are only in relation to H Shares;

(c) the stamp duties required by the laws of Hong Kong to be payable for the transfer documents have been paid;

(d) the relevant share certificates and any other evidence which the Board may reasonably require to show that the transferor has the right to transfer the Shares have been provided;

(e) where the Shares are intended to be transferred to joint holders, the number of such joint Shareholders is no more than four;

(f) the Shares are free and clear of any liens of the Bank.

If the Board of Directors refuses to register the share transfer, the Bank shall issue a notice of refusal to the transferor and assignee within two months since the date of application for share transfer.

Any changes or corrections of any part of the Shareholder register shall be effected in accordance with the laws of the place where that part of the share register is kept.

Any transfer of the Shares of the Bank shall comply with the relevant regulations of the banking regulators under the State Council and other relevant regulators.

If Shareholders use their equity interests in the Bank to provide guarantees for themselves or others, they shall strictly comply with the requirements of laws, regulations and regulatory authorities and give a prior notice to the Board of Directors. The Office of the Board or other departments designated by the Board shall be responsible for the daily collection, preparation and reporting of information regarding the equity pledge of the Bank. Where a Shareholder who is Director or Supervisor of the Bank, or directly, indirectly or jointly holds or controls no less than 2% of the Shares or voting rights of the Bank pledges his/her Shares of the Bank, he/she shall make filing to the Board in advance, which shall state the basic information of the pledge, including the reasons for the pledge, the number of Shares involved, the term of pledge and the particulars of the pledge. Where the Board considers the pledge to have material adverse impact on the stability of the control of the Bank over its shareholdings, corporate governance, risks and related-party transactions, no filing shall be made. Directors nominated by a Shareholder who proposes to pledge his/her Shares of the Bank shall abstain from voting at the Board meeting at which such proposal is considered.

Upon the completion of registration of the pledge of equity interests, the Shareholders involved shall provide the Bank with the relevant information in relation to the pledge of equity interests in a timely manner, so as to facilitate the risk management and information disclosure compliance of the Bank.

Shareholders shall not pledge the Shares of the Bank if the outstanding balance of the loans they have borrowed from the Bank exceeds the audited net equity value held by them in the Bank in the previous year.

Where a Shareholder pledges 50% or more of his/her equity interests in the Bank, the voting rights of such Shareholder at the general meetings and Directors appointed by him/her at the meeting of the Board shall be subject to restrictions.

POWER OF THE BANK TO REPURCHASE OUR OWN SHARES

After adopted according to the procedures of the Article of the Association and approved by the relevant state authorities, the Bank may repurchase its issued and outstanding Shares for the purpose of:

(a) canceling Shares for reducing the registered capital of the Bank;

(b) merging with other companies holding Shares in the Bank;

(c) granting Shares to employees of the Bank as a reward;

(d) any requests for the Bank to repurchase Shares from the Shareholders who voted against the resolutions adopted at a general meeting to merge or divide the Bank;

(e) any such other circumstances as permitted by the laws and administrative regulations.

Except for the circumstances mentioned above, the Bank shall not be engaged in any activities of buying and selling its own Shares.

With the approval of competent state authorities for repurchasing its Shares, the Bank may conduct the repurchase in one of the following manners:

(a) to make an offer of repurchase to all of its Shareholders in the same proportion;

(b) to repurchase Shares through public trading on a stock exchange;

(c) to repurchase through an off-market agreement outside of the stock exchange;

(d) by other means as permitted by the laws, administrative regulations and the relevant competent authorities.

After its own Shares have been repurchased according to the law, the Bank shall cancel or transfer such portion of Shares and apply to the original registration authorities for registration of changes in registered capital after canceling the Shares within the period of time as provided for in the laws, regulations and regulatory provisions. The aggregate par value of the Shares so canceled shall be deducted from the registered capital of the Bank.

A prior approval shall be obtained from a general meeting in respect of any share repurchase by the Bank through an off-market agreement instead of on a securities exchange in accordance with the provisions of the Articles of Association. After the general meeting has given its approval in the same way, the Bank may rescind or alter any contracts entered into in the said manner or waive any rights under such contracts.

Unless the Bank is in liquidation, the Bank shall comply with the following requirements in respect of its repurchase of any it's issued and outstanding Shares:

(a) where the Bank repurchases its Shares at par value, the payments shall be subtracted from the book balance of the distributable profits of the Bank or from the proceeds of a new issuance of Shares for that purpose;

(b) where the Bank repurchases its Shares at a premium, payments up to the par value shall be made from the book balance of the distributable profits of the Bank or from the proceeds of a new issuance of Shares for that purpose; payment of the portion in excess of the par value shall be made as follows: (i) if the Shares repurchased are issued at par value, payment shall be made from the book balance of the distributable profits of the Bank; (ii) if the Shares repurchased are issued at a premium, payment shall be made from the book balance of the distributable profits of the Bank or from the proceeds of a new issuance of Shares for that purpose; however, the amount deducted from the proceeds of the new issuance of Shares shall not exceed the aggregate amount of the premium received by the Bank from the issuance of the Shares so repurchased, nor shall it exceed the amount in the premium account (or the capital reserve account) of the Bank during the repurchase (including the premium of issuance of new Shares);

(c) the Bank shall make the following payments from the distributable profits of the Bank: (i) the payments for any acquisition of the rights to repurchase of the Shares of the Bank; (ii) the payments for any variation of any contracts to repurchase the Shares of the Bank;(iii) the payments for the release from the obligations of the Bank under any repurchase contracts;

(d) after the aggregate par value of the Shares canceled is deducted from the registered capital of the Bank according to the relevant regulations, the amount deducted from the distributable profits used for the repurchase of the Shares at par value shall be credited to the premium account or the capital reserve account of the Bank.

RIGHT OF OUR SUBSIDIARY COMPANIES TO OWN OUR SHARES

There are no provisions in our Articles of Association that prevent our subsidiary companies from owning any of our Shares.

DIVIDENDS AND OTHER METHODS OF PROFIT DISTRIBUTION

The Bank may distribute dividends in cash, by Shares or in other forms in accordance with the provisions of laws, regulations, regulatory provisions and the securities regulatory authorities of the place where the Shares are listed.

The Bank shall appoint receiving agents on behalf of the holders of foreign investment Shares who shall receive on behalf of such Shareholders dividends declared and all other monies owing by the Bank in respect of such Shares. The receiving agents appointed by the Bank shall satisfy the relevant requirements of the laws of the place and relevant regulations of the stock exchange where the Bank's Shares are listed. The receiving agents appointed on behalf of the holders of foreign investment Shares listed in Hong Kong shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

SHAREHOLDERS' PROXIES

Any Shareholder entitled to attend and vote at a general meeting shall be entitled to appoint one or more persons (who need not be a Shareholder or Shareholders) as his proxy or proxies to attend and vote on his behalf. A proxy so appointed shall exercise the following rights pursuant to the authorization by such Shareholder:

(a) to exercise the Shareholder's right to speak at the general meeting;

(b) to severally or jointly request to vote by ballot;

(c) to exercise the right to vote by a show of hand or ballot. Where there is more than one proxy, the said proxies shall vote by ballot.

Shareholders shall appoint their proxies in writing signed by the Shareholder or his attorney duly authorized in writing. In case of corporate Shareholder, the instrument shall be affixed with the company seal or signed by its director or attorney duly authorized. The power of attorney shall be deposited at the domicile of the Bank or such other place as specified in the notice of meeting at least 24 hours prior to the meeting at which the proxy is authorized to vote or 24 hours before the scheduled voting time. Where such a power of attorney is signed by a person authorized by the principal, the letter of authorization authorizing signature or other authorization documents shall be notarized. The notarized letter of authorization or other authorization documents shall, together with the power of attorney for the voting proxy, be deposited at the domicile of the Bank or such other place as specified in the notice of the meeting.

Where the principal is a legal person, its legal representatives or a person authorized by its Board or other decision making body upon resolution shall attend the general meeting of the Bank.

If the principal has passed away, lost his ability to act, withdrawn the appointment, withdrawn the authorization of the signed power of attorney or has transferred his Shares prior to voting, as long as the Bank has not receiving any written notice regarding the matters before the commencement of the relevant meeting, the vote cast by the proxy in accordance with the power of attorney shall remain valid.

CALLS ON SHARES AND FORFEITURE OF SHARES

The Bank may exercise the power to cease from sending dividend warrants to holders of overseas listed Foreign Shares by post if such warrants have been left uncashed on two consecutive occasions, provided that the Bank may do so on the first occasion on which such undelivered warrants are returned.

The Bank shall have the right to sell the Shares of a Shareholder of overseas listed Foreign Shares who in untraceable in the proper way decided by the Board, subject to the following condition:

(a) during a period of 12 years at least 3 dividends in respect of the Shares in question have become payable and no dividend during that period has been claimed by the Shareholder;

(b) on expiry of 12 years the Bank gives notice of its intention to sell the Shares by way of an advertisement published in one or more newspapers published in the place where the Shares of the Bank are listed and notifies the securities regulatory authority in which the Shares of the Bank are traded of such intention.

RIGHTS OF SHAREHOLDERS (INCLUDING INSPECTION OF REGISTER OF SHAREHOLDERS)

A common Shareholder of the Bank shall enjoy the following rights:

(a) to receive dividends and other kinds of distributions as determined by the number of Shares held by them;

(b) to request for convention, convene, preside over, attend in person or by a proxy general meeting, and exercise voting rights based on the number of the Shares held by him in accordance with the law;

(c) to supervise the business operation of the Bank, and to make suggestions and enquires accordingly;

(d) to transfer, gift or pledge Shares held by him in accordance with the laws, regulations, regulatory provisions and the provisions of the Articles of Association;

(e) to obtain relevant information in accordance with the laws, regulations, regulatory provisions and the provisions of the Articles of Association, including:

(i) to obtain a copy of the Articles of Association after its cost has been paid;

(ii) to inspect and copy the following documents after a reasonable fee has been paid:

(1) all parts of the Shareholders register;

(2) the personal information of Directors, Supervisors, and senior management of the Bank, including:

- past and present names and alias
- main address (domicile)
- nationality
- professional job and other part-time occupation, position
- identification and its number

(3) status of the share capital of the Bank;

(4) reports on the aggregate par value, number of Shares, and highest and lowest prices of each class of Shares in relation to any repurchase by the Bank of its own Shares since the last financial year, as well as all the expense paid by the Bank in relation to such repurchases;

(5) minutes of the general meetings;

(6) the latest audited financial statements and the Board's reports, auditor's reports and the Supervisory Board's reports;

(7) special resolutions;

(8) the copy of the latest corporate annual report submitted to the State administration for Industry & Commerce of China or other competent authorities for filing;

(9) counterfoil of bonds, resolutions of the meetings of the Board of Directors and resolutions of the meetings of the Board of Supervisors;

Except for the documents mentioned in item (2) above, the Bank shall maintain all documents set out in items (1) to (8) above at its domicile in Hong Kong according to the Hong Kong Listing Rules to make them available for free inspection by the public and shareholders of its overseas listed foreign Shares. Documents mentioned in item (5) shall only be available for the shareholders. Copies of minutes of the Shareholders' meetings are available for Shareholders' inspection free of charge during working hours of the Bank. Upon request of any Shareholder obtaining the copies of the relevant meeting minutes, the Bank shall dispatch the relevant copies within seven days after receipt of a reasonable fee.

(f) to participate in the distribution of the remaining assets of the Bank based on the number of Shares held in the event of the dissolution or liquidation of the Bank;

(g) to request the Bank to repurchase Shares from such Shareholders who voted against the resolutions adopted at a general meeting to merge or divide the Bank;

(h) to have other rights conferred in accordance with the laws, administrative regulations and the Articles of Association.

If any person who has direct or indirect interest of the Bank does not disclose such interest to the Bank and exercises the rights of Shares, the Bank shall not damage his/her rights based on Shares of the Bank in freezing or other ways.

QUORUM FOR SHAREHOLDERS' GENERAL MEETINGS AND SEPARATE CLASS

Where a general meeting of the Bank is convened, the Board shall give a written notice, which shall contain the matters to be considered at the meeting as well as the date and venue of the meeting, to all registered Shareholders of the Bank 45 days before such meeting is held. Any Shareholders intending to attend shall deliver to the Bank a written reply indicating his intention to attend such meeting 20 days before the meeting. Based on the written replies received 20 days before a general meeting, the Bank shall calculate the number of the voting rights Shares represented by the Shareholders intending to attend the meeting. Where the number of the voting right Shares represented by the Shareholders intending to attend the meeting is more than 1/2 of the total number of the voting rights Shares of the Bank, the Bank shall convene such general meeting; otherwise, the Bank shall, within five days, inform the Shareholders again of the matters to be deliberated at the meeting, the date and venue of the meeting by means of a public announcement. After making such announcement, the Bank may convene the general meeting. An extraordinary meeting shall not determine any issues that are not stated in the notice.

When convening a class meeting, the Bank shall give written notice to all Shareholders whose names appear in the register of Shareholders such class 45 days prior to the convening of the meeting to inform them of the matters proposed to be considered and the date and venue of the meeting. Shareholders who intend to attend the meeting shall serve written reply on the Bank 20 days prior to the convening of the meeting. If the number of voting rights Shares represented by the Shareholders who intend to attend the meeting reaches more than ½ of the Bank's total number of Shares of that class at the meeting, the Bank may hold the class meeting; if not, the Bank shall again notify the Shareholders within 5 days by announcement of the matters to be transacted at and the date and venue for, the meeting. After making the related announcement, the class meeting may be held.

RIGHTS OF MINORITY SHAREHOLDERS

In addition to the obligations required under the laws, regulations, regulatory provisions or the listing rules of the place where the Bank's securities are listed, when exercising his rights as a Shareholder, a controlling Shareholder shall not exercise his voting rights and make decisions on the following issues which are detrimental to the interests of all or some of the Shareholders:

(a) relieving a Director or a Supervisor from his responsibility to act in good faith and in the best interests of the Bank;

(b) approving a Director or a Supervisor (for his/her own or for the benefit of others) in depriving the Bank of its assets in any form, including but not limited to any business opportunities advantageous to the Bank;

(c) approving a Director or a Supervisor (for his/her own or for the benefit of others) in depriving other Shareholder of their personal interests, including but not limited to any distribution rights and voting rights, unless the deprivation is made pursuant to the restructuring of the Bank submitted to and adopted at the general meeting in accordance with our Articles of Association.

A "Controlling Shareholder" shall mean any Shareholder who meets any one of the following conditions:

(a) such Shareholder acting alone or together with other Shareholders may elect more than half of the Directors;

(b) such Shareholder acting alone or together with other Shareholders may exercise more than 30% of the voting rights in the Bank or control the exercise of more than 30% of the voting rights in the Bank;

(c) such Shareholder acting alone or together with order Shareholders holds more than 30% of the issued and outstanding Shares of the Bank;

(d) such Shareholder acting alone or together with other Shareholders may in fact controls the Bank by any other means.

The aforementioned acting in concert refers to such behavior that two or more persons, through legal means such as agreement (whether in oral or written manner), cooperation and related party relations, extend their control over the shares of the Bank or consolidate their control over the Bank, and exercise their rights to vote of the Bank in concert with each other including co-proposing the motion of the Board of Directors, co-nominating the Directors, delegate the rights to vote without specifying the intention to vote and such other behavior that may constitute acting in concert except for the public solicitation of voting proxy.

PROCEDURES ON LIQUIDATION

The Bank shall be dissolved in any of the following circumstances:

(a) expiry of the term of business operation of the Bank;

(b) the general meeting has resolved to dissolve our Bank;

(c) merger or division of our Bank entails dissolution;

(d) the Bank is declared insolvent according to laws because the Bank fails to pay debts when they are due payable;

(e) the Bank has been ordered to dissolve for violation of laws or regulations;

(f) the Bank is dissolved by the People's Court in response to the request of Shareholders with shareholding representing no less than 10% of the voting rights of all Shareholders of the Bank, on the grounds that the operation of the Bank experiences serious difficulties that cannot be resolved through other means, rendering ongoing existence of the Bank a source of significant losses for Shareholders.

The dissolution of the Bank is subject to the approval of banking regulatory authorities of the State Council.

If the Board decides to liquidate the Bank (save for liquidation when our Bank is declared bankrupt), the notice of general meeting to be held therefor shall contain a statement that the Board has made thorough investigation on the conditions of the Bank and that the Bank may repay all the debts within 12 months after commencement of liquidation.

After the resolution on liquidation is adopted at the general meeting, the functions and powers of the Board shall cease forthwith. The Bank shall remain subsisting during the liquidation process but shall not conduct any new activities of any operation. The Bank may not distribute any of its property to the Shareholders before settlement of debts according to the abovementioned provisions.

The liquidation group shall, according to the instruction of the general meeting, report to the general meeting at least once a year about the revenues and expenses of the liquidation group, the businesses of the Bank and the progress of the liquidation, and shall deliver a final report to the general meeting at the end of liquidation.

OTHER PROVISIONS MATERIAL TO THE BANK AND OUR SHAREHOLDERS

General Provisions

After consideration and approval by the shareholders' general meeting and approval by banking regulatory and administrative authorities under the State Council, our Articles of Association shall become effective from the date of public selling of the H Shares of the Bank on the Hong Kong Stock Exchange. As from the date when the Articles of Association come into force and effect, our Articles of Association shall constitute a legally binding document regulating the structure and acts of the Bank and the rights and obligations between the Bank and its Shareholders and among its Shareholders.

Based on the requirements for operation and development and in accordance with the laws and regulations, after the general meeting has made its resolution and approval has been obtained from the Banking Regulation under the State Council, the Bank may increase its capital by:

(a) offering new Shares to non-specific investors;

(b) issuing new Shares to specific objects;

(c) allotting new Shares to existing Shareholders;

(d) distributing new Shares to existing Shareholders;

(e) converting capital reserve into share capital;

(f) any other methods approved by the laws, administrative regulations and relevant departments.

Upon approval according to the provisions of the Articles of Association, the Bank shall increase its capital by issuing new Shares in accordance with such procedures as provided for in relevant laws, regulations and regulatory provisions of the state.

A Shareholder of the Bank shall have the following obligations:

(a) to abide by the laws, administrative regulations and the Articles of Association;

(b) to pay the share capital as determined by the number of Shares subscribed for and by the prescribed method of capital contribution;

(c) not to return the Shares to the Bank except for the purpose of abiding the requirements of the laws, regulations or regulatory provisions;

(d) to maintain the interests and reputation of the Bank and support the Bank to carry out various business activities according to the laws;

(e) not to injure the interests of the Bank or its Shareholders by abusing its rights as a Shareholder; Not to injure the interests of the creditors by abusing the independence status of the legal entity and limited liabilities of the shareholders;

(f) in the case of the capital adequacy ratio is lower than the legal requirements or the lowest standard as required by the banking regulatory and administrative authorities under the State Council, shall support the measures of increasing the capital adequacy ratio which shall be proposed by the Board of Directors;

(g) the major shareholders shall make long-term commitments of the capital supplement to the Bank in writing and that commitments shall become a part of the capital planning of the Bank.

(h) other obligations as required by the laws, regulations, regulatory provisions and Articles of Association.

Shareholders shall not be liable for making any additional contribution to the share capital of the Bank other than according to the terms agreed by the subscriber of the share at the time of subscription.

Directors' Qualification Shares

The Directors of the Bank are natural person and shall not be required to hold Shares of the Bank.

BOARD OF DIRECTORS

The Board of Directors shall take the ultimate responsibility for operation and management of the Bank. The Board shall exercise the following powers according to the laws:

(a) to convene general meetings and report its work to the general meetings;

(b) to implement the resolutions of the general meetings;

(c) to formulate the development strategy of the Bank and supervise the implementation of said strategy, and to decide on the business plans and investment plans of the Bank;

(d) to prepare the annual financial budgets and final accounts of the Bank;

(e) to prepare the venture capital distribution plan, profit distribution plan and the plan for making up the losses of the Bank;

(f) to formulate the capital planning and take ultimate responsibility for capital management, to prepare plans for increase or reduction of the registered capital of the Bank, and to prepare plans for issue and listing of corporate bonds or other securities of the Bank;

(g) to prepare plans for the Bank's material acquisitions and acquisitions for the Bank's Shares, division, dissolution or liquidation or alteration of corporate form of the Bank;

(h) to approve, other than daily operation of the Bank, the acquisitions, external investments, purchase and disposal and writing down of assets, external guarantees, entrustments of others to manage the Bank's funds or other assets of the Bank, except for material matters regulated in the Articles of Association, which shall be decided by the shareholder meeting;

(i) to approve material related transaction of the Bank, unless otherwise regulated in the Articles of Association;

(j) to decide on the establishment of internal management structure of the Bank;

(k) to decide on the appointment, removal and remuneration of the President, the chief officer and the secretary to the Board based on the advice of the Nomination and Remuneration Committee and the proposal of the President; to decide on the appointment or removal of the vice President, the assistant to the President, the business Director and other Senior Management based on the proposal of the President and the remuneration thereof.

(l) to formulate the basic management system of the Bank;

(m) to formulate the risk tolerance, risk management and internal control policies of the Bank;

(n) to prepare any amendment proposals to the Articles of Association;

(o) to manage information disclosure of the Bank and take the ultimate responsibilities for the authenticity, accuracy, completeness and timeliness of financial statements and accounting reports of the Bank;

(p) to determine the job responsibilities for any manager, including the President, the vice President, the chief officer, the assistant to President, the secretary to the Board and the business Director.

(q) to monitor the performance of senior management and ensure their effective performance;

(r) to receive the work report from the president and inspect the work of the president;

(s) the Board shall establish a supervisory system for the management to formulate the code of conduct and terms of reference for management and business officers and that the normative documents shall specifically require employees to report any potential conflict of interests in a timely manner, provide particular rules and establish corresponding mechanisms;

(t) the Board shall establish a information reporting system and require the senior management to report to the Board and Directors the operation issue of the Bank, and the reporting system shall cover provisions for the following issues:

  (i) the content of the information reported to the Board and Directors and the minimum reporting standards;

  (ii) the reporting frequency;

  (iii) the reporting method;

  (iv) the responsible body and liabilities arising from postponed or incomplete reporting;

  (v) the confidentiality obligations.

(u) to evaluate and refine the corporate governance of the Bank on a regular basis;

(v) to protect the legitimate interests of depositors and other interested parties;

(w) to establish the mechanism for identification, verification and management of the conflict of interest between the Bank and Shareholders, in particular substantial Shareholders;

(x) to exercise any other duties and power conferred by laws, regulations, regulatory provisions and the Articles of Association.

The meetings of the Board shall be classified into regular board meetings and extraordinary board meetings and shall be convened and chaired by the chairman of the Board. The Board shall hold at least one regular meeting on a quarterly basis. Notice in written form of regular Board meeting shall be sent to all Directors at least 14 days before the convening of the meeting by hand, fax, email or other means. Prior notice shall also be given to the Board of Supervisors for their attendance at the meeting.

The quorum of the Board meeting shall be more than half of Directors. The Board shall keep minutes of its decisions on the matters discussed at the meeting. Directors attending the meeting and the person taking the minutes shall sign their names on the minutes of the meeting. Each director shall have one vote.

All resolutions of the meeting shall be passed by a majority of all the Directors, but the following resolutions shall be passed by no less than two thirds of the Directors and shall not be voted in form of communication:

(a) to review and consider the profit distribution plan, risk capital distribution plan, material investment plan, material asset disposal plan, appointment or dismissal of senior management of the Bank;

(b) to formulate the plan for the increase or reduction of registered capital and the issue of corporate bonds of the Bank;

(c) to formulate the plan for offering of new share or initial public offering;

(d) to formulate the plan for the acquisition of Shares of the Bank or merger, division or dissolution of the Bank and change of corporate form of the Bank;

(e) to formulate the plan for making up losses;

(f) to formulate the plan for amendments to the Articles of Association of the Bank;

(g) to review and consider capital replenishment plan, material change in equity, financial reorganization and other significant events;

(h) other matters that shall be passed by no less than two thirds of Directors as stipulated by laws, regulations, regulatory provisions and the Articles of Associations, and as considered by the majority of Directors to have a material impact on the Bank.

RESOLUTION OF DISPUTES

The Bank shall act according to the following principles to settle disputes:

(a) whenever any disputes or claims arise between holders of the foreign investment Shares and the Bank, holders of the overseas listed foreign Shares and the Bank's Directors, Supervisors, senior officers, or holders of the foreign investment Shares and holders of domestic Shares, which are based on the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or any other relevant laws and administrative regulations concerning the affairs of the Bank, such disputes or claims shall be referred by relevant parties to arbitration.

Where a dispute or claim of rights above mentioned is referred to arbitration, the entire claim or dispute must be referred to arbitration and any person being the Bank or a Shareholder, Director, Supervisor, or other Senior Manager of the Bank who has a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration.

Disputes in relation to the identification of Shareholders and disputes in relation to the register of Shareholders need not be referred to arbitration.

(b) a claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Center in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects arbitration at Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

(c) if any disputes or claims of rights above mentioned are referred to arbitration, the laws of the PRC shall apply, save as otherwise provided in the laws, regulations and regulatory provisions.

(d) the award of an arbitration body shall be final and binding on all parties.

BOARD OF SUPERVISORS

The Bank shall establish a Board of Supervisors which shall be comprised of nine Supervisors. The Board of Supervisors shall have one chairman and one vice chairman whose appointment shall be adopted by more than 2/3 of all the Supervisors by voting. The Supervisors shall include shareholder representative Supervisors, employee representative Supervisors and external Supervisors. The employee representative Supervisors and external Supervisors shall be not less than 1/3 of all the Supervisors. Any resolutions made by the Board of Supervisors shall be effective only after such solutions have been adopted by more than 2/3 of all the Supervisors by voting.

Shareholder representative Supervisors and external Supervisors shall be elected, removed or replaced by general meeting; employee representative Supervisors shall be elected, removed or replaced by the employee representative congress of the Bank.

The Board of Supervisors shall be responsible to the general meeting and exercise the following powers:

(a) to examine and providing comments in writing on the periodical reports of the Bank prepared by the Board of Directors;

(b) to examine and supervise the Bank’s financial affairs;

(c) to monitor the Directors and Senior Management in the performance of their duties; to propose to recall the Directors or Senior Management who is in breach of the laws, administrative regulations, Articles of Association or the resolutions of the general meeting;

(d) to demand rectification from a Director or Senior Management when the acts of such person are injuring the interests of the Bank;

(e) to make comprehensive assessment and conduct inquires to the Directors, Supervisors and senior management on their performance of their duties;

(f) to conduct special and off-office audit in respect to any Directors and senior officers;

(g) to conduct audit in respect of the operation policy, financial activities, internal control, risk management and case prevention of the Bank and to provide guidance with respect to such internal audits of the Bank;

(h) to review of the financial reports, operation reports, profit distribution plan and other financial documents submitted by the Board to general meetings; if any queries arises or any abnormality is found in operations of the Bank, to conduct investigations; and when necessary, to engage such professionals as accountants or auditors to assist the work for the Bank;

(i) to propose the convening of extraordinary general meetings; to convene and host the general meetings under the circumstances that the Board cannot perform its responsibility of convening and hosting the general meeting as required by the provisions in Company Law;

(j) to propose the proposals to the general meetings;

(k) representing the Bank to negotiate with the Directors or senior officers or bring the lawsuits against the Directors or senior officers according to the Company Law;

(l) if any abnormality is found in operations of the Bank, to conduct investigations; and when necessary, to engage such professionals as accountants or auditors to assist the work for the account of the Bank;

(m) to supervise the Board on the establishment of stable business ideas, valuation standard and making reasonable developing strategies according to the facts of the Bank;

(n) to make periodical assessments on the scientificness, reasonability and effectiveness of the developing strategies made by the Board and make the reports;

(o) to supervise the procedure of the appointment of the Directors;

(p) to supervise on the system of the salary management and policy and the scientific nature and reasonability on the salary plan of the senior officers; to propose any remuneration (or allowance) arrangement of a Supervisor;

(q) to communicate with the banking regulatory authorities of the State Council about the condition of the Bank;

(r) other duties and powers as provided in the laws, regulations, regulatory provisions and Articles of Association.

The Board of Supervisors shall have in place the detailed rules of procedures for its meetings to clarify the method of the discussion and the procedure of the decision-making which shall be executed after acquiring the resolution of the general meeting for the purpose of ensuring the effectiveness and scientific decision-making.

PRESIDENT

Our presidents shall be responsible to the Board and have the following powers and duties:

(a) to manage the business operation of the Bank including the administrative management and other duties in relation to the financial, human resources, risks and other fields of the business operation and report the work to the Board;

(b) to organize to implement the annual business plans and investment plans of the Bank;

(c) to prepare plans for the establishment of the internal management structure of the Bank;

(d) to establish the basic management system of the Bank;

(e) to formulated detailed regulations of the Bank;

(f) to propose to the Board for the appointment or removal of the Deputy President, the assistant of the President and other senior officers (excluding CEO and the secretary of the Board);

(g) to determine the appointment or removal of the senior officers who are not to be appointed or removed by the Board;

(h) other duties and powers provided for in the Articles of Associations or granted by the Board.

The President shall attend Board meetings and a non-Director President shall have no voting rights at Board meetings.

1. TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in the H Shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change and may have retrospective effect.

This discussion does not address any aspects of PRC or Hong Kong taxation other than income tax, capital tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

A. The PRC Taxation

Taxation on Dividends

Individual Investors

Pursuant to the latest *Individual Income Tax Law of the PRC* (中華人民共和國個人所得稅法) (the "IIT Law") as amended on June 30, 2011 and the latest *Regulations on Implementation of the Individual Income Tax Law of the PRC* (中華人民共和國個人所得稅法實施條例) as amended on July 19, 2011, dividends distributed by PRC enterprises are subject to a PRC withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to a withholding tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Pursuant to the *Notice of the State Administration of Taxation on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No. 045* (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) issued by SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the amount which is over withheld will be refunded. For the individual holders of H shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or otherwise, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Pursuant to the *Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income* (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) issued on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong

Kong residents in an amount not exceeding 10% of total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. Pursuant to the *Fourth Protocol of the State Administration of Taxation to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income* (國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第四議定書) effective as of December 29, 2015, the abovementioned provisions are not applicable to any arrangement which is primarily made for the purpose of obtaining the above taxation benefits.

Enterprise Investors

In accordance with the *Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法) (the "EIT Law") effective as of January 1, 2008 and amended on February 24, 2017, and the Implementation provisions for the *Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例) effective as of January 1, 2008, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place. The withholding tax may be reduced or eliminated pursuant to applicable treaties for the avoidance of double taxation. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The *Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares* (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) (Guo Shui Han [2008] No.897) which was issued by SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H Shares with respect to the dividends of 2008 and onwards. In addition, the *Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares* (關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆) (Guo Shui Han [2009] No.394) which was issued by SAT on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the *Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income* (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) issued on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. In addition, the implementation of dividend clauses in the tax agreements shall comply with the PRC tax laws and regulations, such as the *Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements* (國家稅務總局關於執行稅務協定股息條款有關問題的通知) (Guo Shui Han [2009] No.81).

Tax Treaties

Investors who are not PRC residents and reside in countries which have entered into avoidance of double taxation treaties with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has Avoidance of Double Taxation Treaties with a number of countries and regions including HK, Macau, Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, United Kingdom and United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

Individual Investors

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in the PRC resident enterprises are subject to the income tax at a rate of 20%.

Under the *Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares by the MOF and the State Administration of Taxation* (財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) (Cai Shui Zi [1998] No. 61) issued by MOF and the SAT on March 30, 1998, from January 1, 1997, gains of individuals from the transfer of shares of listed enterprises continues to be exempted from individual income tax. According to the latest IIT Law (amended on June 30, 2011) and its latest implementing rules (amended on July 19, 2011), the SAT has not explicitly stated whether it will continue to exempt individuals from income tax on income derived from the transfer of listed shares.

However, on December 31, 2009, MOF, the SAT and CSRC jointly issued the *Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC of Relevant Issues Concerning Levy of Individual Income Tax on the Income Derived by Individuals from Transferring Restricted Shares of Listed Companies* (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》(財稅[2009]167號)) except for certain shares which are subject to sales limitations as defined in the *Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation* (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not collected income tax from non-PRC resident individuals on gains from the transfer of shares of PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced or eliminated pursuant to applicable treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the *Provisional Regulations of the PRC Concerning Stamp Duty* (中華人民共和國印花稅暫行條例) effective as of October 1, 1988 and amended on January 8, 2011, and the *Detailed Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty* (中華人民共和國印花稅暫行條例施行細則) effective as of October 1, 1988, PRC stamp duty on transfer of listed shares of PRC enterprises does not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC, as PRC stamp duty is imposed on documents that are executed or received in the PRC, legally binding in the PRC and governed by the PRC laws.

Estate Duty

As of the Latest Practicable Date, no estate duty has been levied in China under the PRC laws.

B. Hong Kong Taxation

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H shares. However, trading gains from the sale of the H shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of the H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after February 11, 2006.

2. PRINCIPAL TAXATION OF OUR BANK IN THE PRC

Enterprise Income Tax

As stipulated under the EIT Law, enterprises and other organizations which generate income within the PRC are enterprise income taxpayers and subject to enterprise income tax at the rate of 25%.

Business Tax

Pursuant to the *Provisional Regulations of the PRC on Business Tax* (中華人民共和國營業稅暫行條例), which became effective on January 1, 1994, subsequently amended on November 5, 2008 and implemented on January 1, 2009, we are subject to a 5% business tax for our banking operations in the PRC.

According to the *Pilot Reform for Transition from Business Tax to Value-Added Tax* ("VAT") (營業稅改徵增值稅試點方案) (Cai Shui [2011] No. 110) issued by MOF and SAT and effected on November 16, 2011, pilot reforms for transition from business tax to VAT have been started since January 1, 2012 in certain service industries such as transportation and some of the modern service industries in pilot areas such as Shanghai and Beijing. According to a further notice of MOF and SAT, such reform has been expanded nationwide since August 1, 2013.

Pursuant to *Notice of the Full Implementation of the Pilot Reform for Transition from Business Tax to VAT* (關於全面推開營業稅改徵增值稅試點的通知) (Cai Shui [2016] No.36) issued by MOF and SAT on March 23, 2016, the national pilot reform has commenced since May 1, 2016. The taxpayer of the business tax in financial industry shall be included in the pilot reform scale, paying VAT instead of the business tax, and the tax ratio of VAT shall be 6%.

VAT

The PRC government has been progressively implementing the pilot reform for the transition from business tax to VAT in certain regions and industries from 2012. Pursuant to the *Notice on the Full Implementation of Pilot Reform for Transition from Business Tax to VAT (Cai Shui [2016] No. 36)* (關於全面推開營業稅改徵增值稅試點的通知) issued by MOF and SAT on March 23, 2016, the pilot program started to apply to the financial industry from May 1, 2016. We started to calculate and pay VAT instead of business tax on the same date.

Pursuant to the *Notice on Further Specifying the Policies on Financial Industry under the Full Implementation of the Pilot Reform for Transition from Business Tax to VAT* (Cai Shui [2016] No.46) (《關於進一步明確全面推開營改增試點金融業有關政策的通知》(財稅[2016]46號)) promulgated by the MOF and the SAT on April 29, 2016, interest income derived from interbank business by financial institutions shall be identified as the following VAT exemption categories: (I) financial products under pledged reverse repurchase agreements; or (II) policy financial bonds, as stipulated in *Notice of the Ministry of Finance and the State Administration of Taxation on the Full Implementation of the Pilot Reform for Transition from Business Tax to VAT* (Cai Shui [2016] No.36) (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36)).

According to the *Supplementary Notice on Value-added Tax Policies for Interbank Business of Financial Institutions* (Cai Shui [2016] No.70) (《關於金融機構同業往來等增值稅政策的補充通知》(財稅[2016]70)) promulgated by the MOF and the SAT on June 30, 2016, interest income derived from interbank business by financial institutions shall be identified as the following VAT exemption categories: (I) interbank deposits ; (II) interbank borrowings; (III) interbank payments; (IV) financial products under buy-out reverse repurchase agreements; (V) financial bonds; or (VI) certificates of interbank deposits, as stipulated in *the Notice of the Ministry of Finance and the State Administration of Taxation on the Full Implementation of the Pilot Reform for Transition from Business Tax to VAT* (Cai Shui [2016] No.36) (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36)).

In accordance with the *Notice of the Ministry of Finance and the State Administration of Taxation on clarifying Value-Added Tax Polices on Finance, Real Estate Development Services and Education Assisted Services* (Cai Shui [2016] No.140) (《財政部、國家稅務總局關於明確金融、房地產開發、教育輔助服務等增值稅政策的通知》 (財稅[2016]140號)), which was issued by the Ministry of Finance and the State Administration of Taxation on December 21, 2016, specifying that the investment income from non-capital guaranteed financial products shall not be identified as interest or interest-related income and shall be exempt from VAT. Taxpayers' purchasing various asset management products such as funds, trusts and wealth management products and holding them to maturity shall not be identified as the "transfer of financial products" and shall be exempt from VAT as stipulated in the *Notice of the Ministry of Finance and the State Administration of Taxation on the Full Implementation of the Pilot Reform for Transition from Business Tax to VAT* (Cai Shui [2016] No.36) (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號)).

3. TAXATION OF OUR BANK IN HONG KONG

Our Directors do not consider that any of our Bank's income is derived from or arises in Hong Kong for the purpose of Hong Kong taxation. Our Bank will therefore not be subject to Hong Kong taxation.

4. FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE, under the authority of PBoC, is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

In accordance with the *Notice of the State Council on Further Reforming the Foreign Exchange Management System* (國務院關於進一步改革外匯管理體制的通知) (Guo Fa[1993] No.89) issued by the State Council, since January 1, 1994, the conditional convertibility of Renminbi in current account items has been implemented, and the official Renminbi exchange rate and the market rate for Renminbi have been unified. The former dual exchange rate system for Renminbi had been abolished and a unitary and managed floating rate based on market demand and supply was introduced. PBoC sets and publishes daily the medium price of Renminbi against the U.S. dollar and the exchange rates of Renminbi against other currencies in reference to the changes in the international foreign exchange markets. The exchange rate was permitted to float to a certain extent in foreign exchange transactions. The notice has become invalid since June 25, 2016.

On January 29, 1996, the State Council promulgated the *Regulations of the PRC for Foreign Exchange Control* (中華人民共和國外匯管理條例) (the "Foreign Exchange Control Regulations") which became effective on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to SAFE's approval, while capital account items still are. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 5, 2008. The latest amended Foreign Exchange Control Regulations clearly states that the State will not impose any restriction on international payments and transfers under the current account items.

On June 20, 1996, PBoC promulgated the *Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange* (結匯、售匯及付匯管理規定) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations abolished all other restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the *Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism* (關於完善人民幣匯率形成機制改革的公告) (PBoC Announcement [2005] No.16), issued by PBoC on July 21, 2005, from the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The Renminbi exchange rate was no longer pegged to the U.S. dollar. PBoC would publish the closing price of foreign currencies such as the U.S. dollar against Renminbi in the interbank foreign exchange market after the closing of the market on each working day, which will be used as the central parity for the transactions of such foreign currency against Renminbi exchange rate on the following working day.

Starting from January 4, 2006, PBoC introduced over-the-counter transactions into the interbank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the practice of matching was kept at the same time. In addition to the above, PBoC introduced the market-maker rule to provide liquidity to the foreign exchange market. On July 1, 2014, PBoC further improved the formation mechanism of the RMB exchange rate by authorizing the China Foreign Exchange Trading Center to make inquiries with the market-makers before the interbank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD of the current day, which shall be finally decided on the weighted average of the prices of all market makers after excluding the highest and lowest quotations, and announce it at 9:15 a.m. on each working day. On August 11, 2015, PBoC announced to improve the central parity quotations of RMB against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Center with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

On August 5, 2008, the State Council promulgated the revised Foreign Exchange Control Regulations (the "Revised Foreign Exchange Control Regulations"), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Foreign Exchange Control Regulations have adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the Revised Foreign Exchange Control Regulations have improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations have enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safe guard or control measures. Fourth, the Revised Foreign Exchange Control Regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to SAFE to enhance its supervisory and administrative powers.

PRC enterprises (including foreign-invested enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of SAFE, effect exchange and payment from their foreign exchange accounts at the designated foreign exchange banks with the support of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Bank) may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect exchange and payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

On October 23, 2014, the State Council promulgated the *Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items* (關於取消和調整一批行政審批項目等事項的決定) (Guo Fa [2014] No.50), which canceled the approval requirement by the SAFE and its branches for the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

On December 26, 2014, the SAFE issued the *Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing* (關於境外上市外匯管理有關問題的通知), pursuant to which a domestic issuer shall, within 15 business days of the end of its initial public offering overseas, register the overseas listing with the SAFE's local branch at the place of its incorporation; and the proceeds from an overseas listing may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents. The conversion of the proceeds deposit in a domestic account into Renminbi is subject to approval of the SAFE. According to the *Circular of the State Administration of Foreign Exchange on Reforming and Regulating the Management Policies of Capital Items* (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) promulgated by the SAFE on June 9, 2016, the settlement of foreign exchange income of capital items (including proceeds from overseas listing) can be made at banks based on the actual operation needs of domestic enterprises. The settlement ratio for foreign exchange income of capital items of domestic enterprises is temporarily 100% and is subject to adjustment by the SAFE according to the balance of international payments.

On February 13, 2015, the SAFE issued the *Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment* (關於進一步簡化和改進直接投資外匯管理政策的通知) (Hui Fa [2015] No.13), which came into effect on June 1, 2015. The Notice cancels the foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, and requires the banks to review and carry out foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment directly. SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

1. FURTHER INFORMATION ABOUT OUR BANK

A. Incorporation

We were incorporated as a joint stock limited company with the name of "Guangzhou Rural Commercial Bank Co., Ltd. (廣州農村商業銀行股份有限公司)" in accordance with the laws of the PRC on December 9, 2009. Our registered address is No. 1 Huaxia Road, Pearl River New Town, Tianhe District, Guangzhou, Guangdong Province, China. Our Bank has established a principal place of business in Hong Kong at 18F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Ms. Li Oi Lai has been appointed by us as our agent for the acceptance of service of process and notices on behalf of us in Hong Kong. Our address for acceptance of service of process in Hong Kong is the same as the address of our principal place of business in Hong Kong. We conduct our banking business in the PRC under the supervision and regulation of CBRC and PBoC. We are not an authorized institution within the meaning of the Banking Ordinance, and are not subject to the supervision of the Hong Kong Monetary Authority, nor authorized to carry on banking and/or deposit-taking business in Hong Kong.

As we were incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix IV. A summary of the relevant provisions of our Articles of Association is set out in Appendix V.

B. Changes in Share Capital

When our Bank was incorporated as a joint stock limited company in December 2009, our initial registered capital was RMB6,873,418,539, divided into 6,873,418,539 Domestic Shares of nominal value of RMB1.00 each, all of which were fully paid up. In August 2011, our registered capital was increased by RMB1,280,000,000 to RMB8,153,418,539, divided into 8,153,418,539 Domestic Shares of nominal value of RMB1.00 each, all of which were credited as fully paid up.

During the two years preceding the date of this prospectus, there had been no alteration in our registered capital.

As of the Latest Practicable Date, our registered capital was RMB8,153,418,539, divided into 8,153,418,539 Domestic Shares of nominal value of RMB1.00 each, all of which were credited as fully paid up.

Immediately after the completion of the Global Offering, our registered capital will be RMB9,592,418,539, consisting of 8,009,518,539 Domestic Shares and 1,582,900,000 H Shares, which represent approximately 83.50% and 16.50% of our registered capital, respectively (assuming the Over-allotment Option is not exercised).

C. Restriction on Share Repurchase

For details of the restrictions on the share repurchase by our Bank, see Appendix V—"Summary of Articles of Association—Power of the Bank to Repurchase Our Own Shares."

D. Resolutions of Our Shareholders

Resolutions were passed at the Shareholders' general meeting on September 7, 2016, pursuant to which, among other matters, the Shareholders' general meeting:

(a) approved the conversion of our Bank into an overseas subscription joint stock company;

(b) approved the issuance and offering of H Shares and the granting of the Over-allotment Option;

(c) approved the listing of H Shares on the Hong Kong Stock Exchange;

(d) approved certain amendments to our Articles of Association in compliance with the requirements of the Listing Rules and other applicable laws and regulations, and our Directors were authorized to make further amendments to our Articles of Association according to comments given by the relevant regulatory authorities of the PRC and Hong Kong. The relevant amendments will become effective from the Listing Date;

(e) approved the grant of a general mandate to the Directors to approve, allot, issue, grant and/or otherwise deal with H Shares and/or Domestic Shares, securities convertible into Shares, options or warrants for securities with rights to subscribe for or convert to Shares, or other securities with rights to subscribe for or convert to Shares, not exceeding 20% of the total number of H Shares and 20% of the total number of the Domestic Shares in issue immediately following the completion of the Global Offering, respectively, and such mandate to remain in effect from the Listing Date until the earliest of:

(i) the conclusion of the first annual general meeting of our Bank following the Listing Date; or

(ii) the expiration of 12 months following the Listing Date; or

(iii) the date on which the general mandate is revoked or varied by special resolution passed at any general meeting of our Bank; and

(f) authorized our Board of Directors and persons authorized by our Board of Directors to determine and handle all matters relating to the listing of our H Shares.

2. OUR SUBSIDIARIES AND CHANGES IN THE SHARE CAPITAL OF OUR SUBSIDIARIES

Our subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I—"Accountants' Report." All our subsidiaries are accounted for as subsidiaries in the Accountants' Report.

(a) Jizhou Zhujiang County Bank Co., Ltd. (吉州珠江村鎮銀行股份有限公司) increased its registered capital from RMB80 million to RMB84.77 million on June 5, 2015, which was further increased to RMB87.82 million on June 24, 2016. As of the Latest Practicable Date, 33.79% of Jizhou Zhujiang County Bank Co., Ltd. was directly held by us.

(b) Xinyang Zhujiang County Bank Co., Ltd. (信陽珠江村鎮銀行股份有限公司) increased its registered capital from RMB386 million to RMB395.9 million on March 16, 2015, which was further increased to RMB414.2 million on August 2, 2016. As of the Latest Practicable Date, 39.60% of Xinyang Zhujiang County Bank Co., Ltd. was directly held by us.

Save as disclosed above, there has been no alteration in the registered capital of our subsidiaries within the two years preceding the date of this prospectus.

3. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in our ordinary course of business) within the two years preceding the date of this prospectus, which are or may be material:

(a) a concert party undertaking on the establishment of a county bank (《組建村鎮銀行一致行動人承諾書》) dated July 29, 2015 entered into between Guangdong Gold Rich Group Lo's Co., Ltd. (廣東金盛盧氏集團有限公司) and our Bank, in relation to the relevant issues regarding the establishment and operational management of county bank (including but not limited to votings at board meetings, board of supervisors meetings and shareholders' meetings);

(b) a concert party undertaking on the establishment of a county bank (《組建村鎮銀行一致行動人承諾書》) dated August 10, 2015 entered into between Foshan Sanshui Jinye Development Co., Ltd. (佛山市三水區金葉發展有限公司) and our Bank, in relation to the relevant issues regarding the establishment and operational management of county bank (including but not limited to votings at board meetings, board of supervisors meeting and shareholders' meetings);

(c) a memorandum of understanding (《投資備忘錄》) dated January 5, 2016 entered into between Zhuzhou Rural Credit Cooperative (株洲縣農村信用合作聯社), the China Banking Regulatory Commission Hunan Office, Hunan Rural Credit Union (湖南省農村信用社聯合社), Zhuzhou County People's Government and our Bank in respect of our possible investment in the share capital of rural commercial bank restructured from Zhuzhou Rural Credit Cooperative (株洲縣農村信用合作聯社);

(d) a co-operation framework agreement (《合作框架協議》) dated March 8, 2016 between the Management Committee of Guangzhou Economic & Technological Development District (廣州開發區管委會) and our Bank in respect of the establishment of financial industrial park headquarters by our Bank at the Guangzhou Development District;

(e) a total of 31 share subscription agreements (《入股協議》) dated April 1, 2016 entered into between Xinyang Zhujiang County Bank Co., Ltd. (信陽珠江村鎮銀行股份有限公司) and Li Zehua (李澤華), Fan Liang (范良), Liu Wenjian (劉文劍), Zhu Zeping (朱澤平), Liu Zhenzhong (劉振中), Wang Dawei (汪大偉), Xu Youqi (徐有啓), Yu Xuejun (喻學軍), Wang Yongmei (王咏梅), Zhang Qizhou (張七洲), Ye Lisha (葉麗莎), An Wei (安煒), Fu Yuanpu (扶元普), Chang Jianmin (常建民), Wang Xingsheng (汪興勝), Qian Hongmei (錢紅梅), Gong Changhao (宮常浩), Fu Haiming (付海明), Xu Shibo (徐世柏), Zhou Congsheng (周葱盛), Liang Ming (梁明), Ye Xianhai (葉先海), Yan Yunfeng (鄢雲峰), Jia Xin (賈馨), Zhang Lei (張磊), Gan Zhongxin (甘忠新), Li Yunting (李雲亭), Gui Chengfa (桂成發), Gao Xuekui (高學魁), Luo Jun (駱軍) and Chen Xiang (陳祥), respectively, in relation to the subscription of 2.0 million shares, 1.6 million shares, 1.6 million shares, 0.5 million shares, 0.5 million shares, 0.5 million shares, 0.5 million shares, 0.5 million shares, 0.4 million shares, 0.5 million shares, 0.5 million shares, 0.5 million shares, 0.5 million shares, 0.5 million shares, 0.5 million shares, 0.5 million shares, 0.5 million shares, 0.5 million shares, 0.5 million shares, 0.5 million shares, 0.5 million shares, 0.5 million shares, 0.5 million shares, 0.1 million shares, 0.5 million shares, 0.3 million shares, 0.3 million shares, 0.5 million shares, 0.5 million shares, 0.5 million shares and 0.5 million shares in Xinyang Zhujiang County Bank Co., Ltd. by them, respectively, in cash;

(f) a total of 31 concert party agreements (《一致行動協議》) dated April 7, 2016 entered into between our Bank and Li Zehua (李澤華), Fan Liang (范良), Liu Wenjian (劉文劍), Zhu Zeping (朱澤平), Liu Zhenzhong (劉振中), Wang Dawei (汪大偉), Xu Youqi (徐有啓), Yu Xuejun (喻學軍), Wang Yongmei (王咏梅), Zhang Qizhou (張七洲), Ye Lisha (葉麗莎), An Wei (安煒), Fu Yuanpu (扶元普), Chang Jianmin (常建民), Wang Xingsheng (汪興勝), Qian Hongmei (錢紅梅), Gong Changhao (宮常浩), Fu Haiming (付海明), Xu Shibo (徐世柏), Zhou Congsheng (周葱盛), Liang Ming (梁明), Ye Xianhai (葉先海), Yan Yunfeng (鄢雲峰), Jia Xin (賈馨), Zhang Lei (張磊), Gan Zhongxin (甘忠新), Li Yunting (李雲亭), Gui Chengfa (桂成發), Gao Xuekui (高學魁), Luo Jun (駱軍) and Chen Xiang (陳祥), respectively, in relation to, among others, votings at board meetings, board of supervisors meetings and shareholders' meetings of Xinyang Zhujiang County Bank Co., Ltd. (信陽珠江村鎮銀行股份有限公司);

(g) a total of 31 voting authorization agreements (《股份表決權委託協議》) dated April 7, 2016 entered into between Li Zehua (李澤華), Fan Liang (范良), Liu Wenjian (劉文劍), Zhu Zeping (朱澤平), Liu Zhenzhong (劉振中), Wang Dawei (汪大偉), Xu Youqi (徐有啓), Yu Xuejun (喻學軍), Wang Yongmei (王咏梅), Zhang Qizhou (張七洲), Ye Lisha (葉麗莎), An Wei (安煒), Fu Yuanpu (扶元普), Chang Jianmin (常建民), Wang Xingsheng (汪興勝), Qian Hongmei (錢紅梅), Gong Changhao (宮常浩), Fu Haiming (付海明), Xu Shibo (徐世柏), Zhou Congsheng (周葱盛), Liang Ming (梁明), Ye Xianhai (葉先海), Yan Yunfeng (鄢雲峰), Jia Xin (賈馨), Zhang Lei (張磊), Gan Zhongxin (甘忠新), Li Yunting (李雲亭), Gui Chengfa (桂成發), Gao Xuekui (高學魁), Luo Jun (駱軍), Chen Xiang (陳祥) and our Bank, respectively, in relation to the irrevocable authorization to our Bank to exercise all the voting rights represented by all the respective shares in Xinyang Zhujiang County Bank Co., Ltd. (信陽珠江村鎮銀行股份有限公司) held by each of them;

(h) a total of 11 share subscription agreements (《入股協議》) dated July 1, 2016 entered into between Jizhou Zhujiang County Bank Co., Ltd. (吉州珠江村鎮銀行股份有限公司) and Lin Hongmou (林宏謀), Yuan Huai (袁槐), Xiao Xiaojun (肖曉軍), Kang Yulian (康裕蓮), Liu Anming (劉安明), Zhou Zhou (周舟), Wen Zhimin (温志民), Yang Yan (楊燕), Qiu Jing (邱靜), Zhao Na (趙娜) and Wang Renda (王任達), respectively, in relation to the subscription of 0.7 million shares, 0.7 million shares, 0.15 million shares, 0.3 million shares, 0.3 million shares, 0.25 million shares, 0.15 million shares, 0.2 million shares, 0.1 million shares, 0.1 million shares and 0.1 million shares in Jizhou Zhujiang County Bank Co., Ltd. by them, respectively, in cash;

(i) a total of 11 concert party agreements (《一致行動協議》) dated July 1, 2016 entered into between our Bank and Lin Hongmou (林宏謀), Yuan Huai (袁槐), Xiao Xiaojun (肖曉軍), Kang Yulian (康裕蓮), Liu Anming (劉安明), Zhou Zhou (周舟), Wen Zhimin (温志民), Yang Yan (楊燕), Qiu Jing (邱靜), Zhao Na (趙娜) and Wang Renda (王任達), respectively, in relation to, among others, votings at board meetings, board of supervisors meetings and shareholders' meetings of Jizhou Zhujiang County Bank Co., Ltd. (吉州珠江村鎮銀行股份有限公司);

(j) a total of 11 voting authorization agreements (《股份表決權委託協議》) dated July 1, 2016 entered into between Lin Hongmou (林宏謀), Yuan Huai (袁槐), Xiao Xiaojun (肖曉軍), Kang Yulian (康裕蓮), Liu Anming (劉安明), Zhou Zhou (周舟), Wen Zhimin (温志民), Yang Yan (楊燕), Qiu Jing (邱靜), Zhao Na (趙娜) and Wang Renda (王任達) and our Bank, respectively, in relation to the irrevocable authorization to our Bank to exercise all the voting rights represented by all the respective shares in Jizhou Zhujiang County Bank Co., Ltd. (吉州珠江村鎮銀行股份有限公司) held by each of them;

(k) a cornerstone investment agreement dated June 2, 2017, entered into between Aerial Wonder Company Limited, the Joint Representatives, and us, pursuant to which Aerial Wonder Company Limited agreed to subscribe for 295,229,000 H Shares at the Offer Price;

(l) a cornerstone investment agreement dated June 2, 2017, entered into between Aeon Life Insurance Company Limited, the Joint Representatives, and us, pursuant to which Aeon Life Insurance Company Limited agreed to subscribe for 295,229,000 H Shares at the Offer Price;

(m) a cornerstone investment agreement dated June 2, 2017, entered into between International Merchants Holdings, Mr. Qu Xiao Chuan, the Joint Representatives, and us, pursuant to which International Merchants Holdings agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$40 million at the Offer Price; and

(n) the Hong Kong Underwriting Agreement.

B. Intellectual Property Rights

As of the Latest Practicable Date, we had registered the following intellectual property rights which are material to our business.

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which are material to our business.

No.	Trademark	Place of Registration	Class(es)	Registration No.	Valid Period
1.		China	36	7803171	2011.03.07-2021.03.06
2.		China	9	8003685	2011.07.28-2021.07.27

No.	Trademark	Place of Registration	Class(es)	Registration No.	Valid Period
3.		China	36	7803208	2011.03.07-2021.03.06
4.		China	36	7803126	2011.03.07-2021.03.06
5.		China	16	8002628	2011.02.14-2021.02.13
6.		China	36	8002645	2011.03.21-2021.03.20
7.	ZJRB	China	36	9156169	2012.03.07-2022.03.06
8.	珠江金融之窗	China	16	10834567	2013.08.28-2023.08.27
9.	GRC BANK	China	36	7803219	2014.03.28-2024.03.27
10.	GRCBANK	China	16	8002588	2011.02.28-2021.02.27
11.		China	9	8940317	2014.02.21-2024.02.20
12.	广州农商银行 太阳卡	China	9	8940294	2014.02.21-2024.02.20
13.	掌上车管家	China	36	14912436	2015.09.14-2025.09.13
14.		China	14	8002638	2011.05.07-2021.05.06
15.		China	16	8002639	2011.02.28-2021.02.27

No.	Trademark	Place of Registration	Class(es)	Registration No.	Valid Period
16.		China	35	8002597	2011.05.07-2021.05.06
17.		China	38	8002640	2011.03.21-2021.03.20
18.		China	41	8002633	2011.04.14-2021.04.13
19.		China	42	8002634	2011.09.14-2021.09.13
20.		China	36	7803199	2011.04.21-2021.04.20
21.		China	9	8940276	2014.01.21-2024.01.20
22.		China	9	8940248	2014.02.21-2024.02.20
23.	珠江金融	China	16	10834569	2015.04.14-2025.04.13
24.	A B	Hong Kong	35, 36	303856537	2017.01.19-2026.07.31
25.	A GRCBANK B GRCBANK	Hong Kong	35, 36	303856546	2017.01.19-2026.07.31
26.	A 广州农商银行 B 广州农商银行	Hong Kong	35, 36	303856555	2017.01.19-2026.07.31

As of the Latest Practicable Date, we had applied for registration of the following trademarks which are material to our business:

No.	Trademark	Place of Registration	Application Class(es)	Application No.	Application Date
1.	A 广州农村商业银行 B 廣州農村商業銀行	Hong Kong	35, 36	303856654	August 2, 2016
2.	SUN MALL 太阳集市	China	9, 35, 36, 38, 42	20989534 20989535 20989536 20989537 20989538	August 16, 2016
3.	太阳智付	China	36	20989533	August 16, 2016
4.	珠江直销	China	36	20989532	August 16, 2016
5.	太阳集市	China	9, 35, 36, 38, 42	20989539 20989540 20989541 20989542 20989543	August 16, 2016
6.	太阳集市	China	9, 35, 36, 38, 42	19885644 19885645 19885646 19885642 19885643	May 9, 2016
7.	太阳金融	China	36	20518605	July 4, 2016

(b) Domain Names

As of the Latest Practicable Date, we had registered the following material Internet domain names:

No.	Domain Name	Place of Registration	Owner	Expiration Date
1.	grcbneosunfund.org	China	Our Bank	2024.11.28
2.	zhujiangfl.com	China	Our Bank	2019.11.17
3.	zhujiangfl.cn	China	Our Bank	2019.11.17
4.	zhujiangfl.com.cn	China	Our Bank	2019.11.17
5.	太阳公益基金会.cn	China	Our Bank	2024.08.20
6.	sunfoundation.cn	China	Our Bank	2024.08.20
7.	grcbsunfoundation.org	China	Our Bank	2024.08.20
8.	grcbsunfoundation.cn	China	Our Bank	2024.08.20

No.	Domain Name	Place of Registration	Owner	Expiration Date
9.	grcbsunfoundation.com	China	Our Bank	2024.08.20
10.	grcbsunfoundation.net	China	Our Bank	2024.08.20
11.	zjfleasing.com.cn	China	Our Bank	2024.07.29
12.	zjrcbank.cn	China	Our Bank	2024.07.29
13.	zjrcbank.com.cn	China	Our Bank	2024.07.29
14.	zjfleasing.cn	China	Our Bank	2024.07.29
15.	zjfleasing.net	China	Our Bank	2024.07.17
16.	zjrcbank.net	China	Our Bank	2024.07.17
17.	广州农村商业银行.公司	China	Our Bank	2023.08.21
18.	广州农村商业银行.网络	China	Our Bank	2023.08.21
19.	grcbank.biz	China	Our Bank	2023.07.05
20.	grcbank.info	China	Our Bank	2023.07.05
21.	广州农商银行.公司	China	Our Bank	2023.08.21
22.	广州农商银行.网络	China	Our Bank	2023.08.21
23.	广州农村商业银行.cc	China	Our Bank	2023.07.05
24.	广州农商银行.cc	China	Our Bank	2023.07.05
25.	961111.net.cn	China	Our Bank	2023.07.05
26.	广州农村商业银行.net	China	Our Bank	2023.07.05
27.	961111.info	China	Our Bank	2023.06.08
28.	961111.biz	China	Our Bank	2023.06.08
29.	961111.中国	China	Our Bank	2022.10.31
30.	grcbank.中国	China	Our Bank	2022.10.31
31.	grcbank.com	China	Our Bank	2022.06.03
32.	grcbank.com.cn	China	Our Bank	2022.11.17
33.	grcbank.cc	China	Our Bank	2019.11.17
34.	广州农村商业银行股份有限公司.中国	China	Our Bank	2019.07.29
35.	广州农商行.中国	China	Our Bank	2021.10.08
36.	961111.net	China	Our Bank	2019.10.13
37.	grcbank.cn	China	Our Bank	2019.10.27
38.	grcbank.net.cn	China	Our Bank	2019.11.17
39.	广州农村商业银行.com	China	Our Bank	2019.07.29
40.	广州农村商业银行股份有限公司.cn	China	Our Bank	2019.07.29
41.	广州农村商业银行股份有限公司.com	China	Our Bank	2019.07.29
42.	广州农商行.cn	China	Our Bank	2021.10.08
43.	珠江村镇银行.中国	China	Our Bank	2021.02.25
44.	珠江村镇银行.net	China	Our Bank	2020.07.31
45.	珠江村镇银行.公司	China	Our Bank	2021.08.21
46.	珠江村镇银行.com	China	Our Bank	2020.07.31
47.	grcbank.net	China	Our Bank	2019.11.17
48.	gzrcu.cn	China	Our Bank	2019.10.10
49.	gzrcu.com.cn	China	Our Bank	2019.10.10

Save as disclosed herein, there are no other trademarks, patents or other intellectual or industrial property rights which are material to our business.

C. Our Depositors and Borrowers

Our five largest depositors and five largest borrowers accounted for less than 30% of our respective total deposits and loans and advances to customers as of the Latest Practicable Date.

4. FURTHER INFORMATION ABOUT OUR SUBSTANTIAL SHAREHOLDERS, DIRECTORS, MANAGEMENT AND STAFF

A. Substantial Shareholders

So far as the Directors are aware, immediately following the completion of the Global Offering, the following persons will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings.

Substantial shareholders' interests or short positions in our Shares or underlying Shares

			Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
Name of Shareholder	**Nature of Interest**	**Class**	**Number of Shares directly or indirectly held**	**Approximate % of interest in our Bank**	**Approximate % of the relevant class of Shares of our Bank**	**Number of Shares directly or indirectly held**	**Approximate % of interest in our Bank**	**Approximate % of the relevant class of Shares of our Bank**
Guangzhou Municipal People's Government[(1)]	Interest of controlled corporation	Domestic Shares	1,818,174,712	18.95%	22.70%	1,796,589,712	18.32%	22.49%
Aerial Wonder Company Limited[(2)]	Beneficial Owner	H Shares	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%
China Civil Aviation Investment Group Limited (中國民用航空投資集團有限公司)[(2)]	Interest of a Controlled Corporation	H Shares	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%
HNA Aviation (Hong Kong) Holdings Co., Limited (海航航空(香港)控股有限公司)[(2)]	Interest of a Controlled Corporation	H Shares	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%
HNA Aviation Group Co., Limited (海航航空集團有限公司)[(2)]	Interest of a Controlled Corporation	H Shares	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%
HNA Group Co., Ltd. (海航集團有限公司)[(2)]	Interest of a Controlled Corporation	H Shares	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%
Hainan Traffic Administration Holding Co., Ltd. (海南交管控股有限公司)[(2)]	Interest of a Controlled Corporation	H Shares	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%

Name of Shareholder	Nature of Interest	Class	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option) Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option) Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Sheng Tang Development (Yangpu) Co. Ltd. (盛唐發展（洋浦）有限公司)(2)	Interest of a Controlled Corporation	H Shares	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%
Hainan Province Cihang Foundation (海南省慈航公益基金會)(2)	Interest of a Controlled Corporation	H Shares	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%
Aeon Life Insurance Company Limited	Beneficial Owner	H Shares	295,229,000	3.08%	18.65%	295,229,000	3.01%	16.22%

Note:

(1) These 1,818,174,712 Shares include 370,522,686 Shares directly held by Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), 342,271,038 Shares directly held by Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司), 323,745,367 Shares directly held by Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司), 314,482,531 Shares directly held by Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), 194,065,668 Shares directly held by Guangzhou Department Stores Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司), 138,942,534 Shares directly held by Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司), 45,860,299 Shares directly held by Guangzhou Jinjun Investments Holding Co., Ltd. (廣州金駿投資控股有限公司), 33,809,350 Shares directly held by Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), 18,525,671 Shares directly held by Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司), 9,262,836 Shares directly held by Guangzhou Textiles Industry & Trade Holdings Ltd. (廣州紡織工貿企業集團有限公司), 7,137,674 Shares directly held by Guangzhou Port Group Co., Ltd. (廣州港集團有限公司), 10,000,000 Shares directly held by Guangzhou Hanlin International Technology Park Co., Ltd. (廣州翰林國際科技創業園有限公司), 9,262,836 Shares directly held by Guangzhou Development District Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司) and 286,222 Shares directly held by Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司) (assuming no exercise of the Over-allotment Option).

By virtue of the SFO, Guangzhou Municipal People's Government is deemed to be interested in the Shares held by Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司), Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司), Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), Guangzhou Department Stores Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司), Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司), Guangzhou Jinjun Investments Holding Co., Ltd. (廣州金駿投資控股有限公司), Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司), Guangzhou Textiles Industry & Trade Holdings Ltd.(廣州紡織工貿企業集團有限公司) and Guangzhou Port Group Co., Ltd. (廣州港集團有限公司), which are directly or indirectly wholly-owned by Guangzhou Municipal People's Government, and in the Shares held by Guangzhou Development District Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司) and Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司), which are controlled by Guangzhou Municipal People's Government.

Further, Guangzhou Hanlin International Technology Park Co., Ltd. (廣州翰林國際科技創業園有限公司) is owned as to 88.23%, 7.65% and 4.12% by Guangzhou China Life Insurance Urban Development Industry Investment Enterprises (廣州國壽城市發展產業投資企業), Guangzhou Science and Technology Innovation Investment Financial Holdings Ltd. (廣州科技金融創新投資控股有限公司) and Guangzhou Keyuan Medium and Small Enterprise Investment Operation Co., Ltd. (廣州科源中小企業投資經營有限公司), respectively. Guangzhou China Life Insurance Urban Development Industry Investment Enterprises (廣州國壽城市發展產業投資企業) is a limited partnership and its general partner is an indirectly wholly-owned subsidiary of Guangzhou Municipal People's Government. Guangzhou Science and Technology Innovation Investment Financial Holdings Ltd. (廣州科技金融創新投資控股有限公司) is an indirectly wholly-owned subsidiary of Guangzhou Municipal People's Government. Guangzhou Keyuan Medium and Small Enterprise Investment Operation Co., Ltd. (廣州科源中小企業投資經營有限公司) is owned as to 75% by an indirectly wholly-owned subsidiary of Guangzhou Municipal People's Government. By virtue of the SFO, Guangzhou Municipal People's Government is deemed to be interested in the Shares held by Guangzhou Hanlin International Technology Park Co., Ltd. (廣州翰林國際科技創業園有限公司).

(2) Aerial Wonder Company Limited is wholly-owned by China Civil Aviation Investment Group Limited (中國民用航空投資集團有限公司) ("**China Civil Aviation**"), which is in turn wholly-owned by HNA Aviation (Hong Kong) Holdings Co., Limited (海航航空（香港）控股有限公司) ("**HNA Hong Kong**"). HNA Hong Kong is wholly-owned by HNA Aviation Group Co., Limited (海航航空集團有限公司) ("**HNA Aviation**"), which is in turn owned as to 75.24% by HNA Group Co., Ltd. (海航集團有限公司) ("**HNA Group**"). HNA Group is owned as to 70% by Hainan Traffic Administration Holding Co., Ltd. (海南交管控股有限公司) ("**Hainan Traffic Administration**"). Hainan Traffic Administration is owned as to 50% by Sheng Tang Development (Yangpu) Co. Ltd. (盛唐發展（洋浦）有限公司) ("**Sheng Tang Yangpu**"). Sheng Tang Yangpu is owned as to 65% by Hainan Province Cihang Foundation (海南省慈航公益基金會) ("**Cihang**"). Therefore, each of China Civial Aviation, HNA Hong Kong, HNA Aviation, HNA Group, Hainan Traffic Administration, Sheng Tang Yangpu and Cihang is deemed to be interested in the 295,229,000 Shares by virtue of SFO.

Substantial shareholders' interests in our subsidiaries

Subsidiary of our Bank	Name of shareholder	Shareholding percentage
Laiwu Zhujiang County Bank Co., Ltd. (萊蕪珠江村鎮銀行股份有限公司)	Shandong Jinsui Construction Co., Ltd. (山東金穗建設有限公司)	10%
	Laiwu Yitong Driver Training Co., Ltd. (萊蕪怡通駕駛員培訓有限公司)	10%
Jiangsu Qidong Zhujiang County Bank Co., Ltd. (江蘇啟東珠江村鎮銀行股份有限公司)	Qidong Kailai Real Estate Co., Ltd. (啟東市開來房地產有限公司)	10%
Changning Zhujiang County Bank Co., Ltd. (常寧珠江村鎮銀行股份有限公司)	Changning Urban and Rural Construction Investment Co., Ltd. (常寧市城市和農村建設投資有限公司)	10%
Haiyang Zhujiang County Bank Co., Ltd. (海陽珠江村鎮銀行股份有限公司)	Haiyang Shenghai Financing Guarantee Co., Ltd. (海陽市盛海融資擔保有限公司)	10%
Huixian Zhujiang County Bank Co., Ltd. (輝縣珠江村鎮銀行股份有限公司)	Chunjiang Group Co., Ltd. (春江集團有限公司)	10%
	Ge Li (戈莉)	10%
Pengshan Zhujiang County Bank Co., Ltd. (彭山珠江村鎮銀行股份有限公司)	Meishan Pengshan District Transportation Construction and Investment Engineering Co., Ltd. (眉山市彭山區交通建設投資工程有限責任公司)	10%
	Lai Xiaotang (賴曉棠)	10%
	Sichuan Anxin Financing Guarantee Management Co., Ltd. (四川安信融資擔保管理有限公司)	10%
	Sichuan Huaxi Dedun Plastic Tube Co., Ltd. (四川華西德頓塑料管道有限公司)	10%
	Guangzhou Zhisheng Guanmei Furniture Co., Ltd. (廣州市至盛冠美家具有限公司)	10%
Xinjin Zhujiang County Bank Co., Ltd. (新津珠江村鎮銀行股份有限公司)	Chengdu Xinjin State-owned Assets Investment and Operation Co., Ltd. (成都市新津縣國有資產投資經營有限責任公司)	10%
Guanghan Zhujiang County Bank Co., Ltd. (廣漢珠江村鎮銀行股份有限公司)	Fujian Fusheng Group Co., Ltd. (福建福晟集團有限公司)	10%
	Guanghan Jinda Tunnel Machinery Co., Ltd. (廣漢金達隧道機械有限公司)	10%
	Chengdu Kexu Electronics Co., Ltd. (成都科旭電子有限責任公司)	10%
	Sichuan Youwo Investment Co., Ltd. (四川省優沃投資有限公司)	10%
Dalian Bonded Area Zhujiang County Bank Co., Ltd. (大連保稅區珠江村鎮銀行股份有限公司)	Liaoning Baocheng Credit Guarantee Co., Ltd. (遼寧保誠信用擔保有限公司)	10%
	Dalian Zhaotun Chengda Food Co., Ltd. (大連趙屯成達食品有限公司)	10%
	Dalian Ao'nan Housing Development Co., Ltd. (大連澳南房屋開發有限公司)	10%
	Guangzhou Shunxing Quarry Co., Ltd. (廣州市順興石場有限公司)	10%

Subsidiary of our Bank	Name of shareholder	Shareholding percentage
Heshan Zhujiang County Bank Co., Ltd. (鶴山珠江村鎮銀行股份有限公司)	Guangdong Heshan Beikong Water Co., Ltd (廣東鶴山北控水務有限公司)	10%
	Heshan Donggu Flavoring Food Co., Ltd. (鶴山市東古調味食品有限公司)	10%
	Jiangmen Xinhui District Taisheng Quarry Co., Ltd. (江門市新會區泰盛石場有限公司)	10%
	Guangzhou Highsun Enterprises Group Corp. (廣州海印實業集團有限公司)	10%
Beijing Mentougou Zhujiang County Bank Co., Ltd. (北京門頭溝珠江村鎮銀行股份有限公司)	Gangtong Logistics (Beijing) Co., Ltd. (港通物流（北京）有限公司)	10%
	Beijing Qianxi Shihao Electronic Technology Co., Ltd. (北京千禧世豪電子科技有限公司)	10%
	Beijing Gede Auction Co., Ltd. (北京歌德拍賣有限公司)	10%
	Zhejiang Hengji Enterprise Development Co., Ltd. (浙江恒際實業發展有限公司)	10%
Yantai Fushan Zhujiang County Bank Co., Ltd. (煙台福山珠江村鎮銀行股份有限公司)	Yantai Runfu Financing Guarantee Co., Ltd. (煙台潤福融資擔保有限責任公司)	10%
	Yantai Runlong Building Materials Co., Ltd. (煙台潤隆建材有限公司)	10%
	Yantai Dingji Commerce Co., Ltd. (煙台鼎基商貿有限公司)	10%
	Shandong Liyuansheng Trade Co., Ltd. (山東利源盛商貿有限公司)	10%
Qingdao Chengyang Zhujiang County Bank Co., Ltd. (青島城陽珠江村鎮銀行股份有限公司)	Qingdao Hongfu Group Co., Ltd. (青島紅福集團有限公司)	10%
	Qingdao Logistics Distribution Center Co., Ltd. (青島物流分撥交易中心有限公司)	10%
	Qingdao Hengyi Landscape Co., Ltd. (青島恒益園林綠化有限公司)	10%
Zhongshan Dongfeng Zhujiang County Bank Co., Ltd. (中山東鳳珠江村鎮銀行股份有限公司)	Jonjee Hi-tech Industrial & Commercial Holding Co., Ltd. (中炬高新技術實業（集團）股份有限公司)	10%
	Zhongshan Dongfeng Construction Development Corporation (中山市東鳳鎮建設開發總公司)	10%
	Zhongshan Dongfeng Collective Assets Management Co., Ltd. (中山市東鳳鎮集體資產管理有限公司)	10%
	Zhongshan Yufeng Technology Holdings Co., Ltd. (中山玉峰科技控股有限公司)	10%
	Zhongshan Shunneng Fuel Co., Ltd. (中山市順能燃料有限公司)	10%

Subsidiary of our Bank	Name of shareholder	Shareholding percentage
Dongguan Huangjiang Zhujiang County Bank Co., Ltd. (東莞黃江珠江村鎮銀行股份有限公司)	Dongguan Kaifa Enterprise Investment Co., Ltd. (東莞市凱發實業投資有限公司)	10%
	Dongguan Yifa Concrete Co., Ltd. (東莞市易發混凝土有限公司)	10%

B. Disclosure of the Directors' and Supervisors' interests in the issued share capital of our Bank or our associated corporations

Save as disclosed below, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), none of our Directors, Supervisors and chief executive will have any interests or short positions in the Shares, underlying shares or debentures of our Bank or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or any interests or short positions, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules, which will be required to be notified to us and the Hong Kong Stock Exchange upon listing of our Shares, or any interests or short positions, pursuant to section 352 of the SFO, which will be required to be entered in the register referred to therein. For this purpose, the relevant provisions of the SFO shall be construed as if they are applicable to our Supervisors.

(1) Interest in the Shares of our Bank

Directors

Name of Director	Nature of Interest	Class	Number of Shares held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Wang Jikang	Beneficial owner	Domestic Shares	500,000	0.005%	0.006%
Yi Xuefei	Beneficial owner	Domestic Shares	500,000	0.005%	0.006%
Wu Huiqiang	Beneficial owner	Domestic Shares	401,000	0.004%	0.005%
	Interest of spouse	Domestic Shares	206,000	0.002%	0.003%
Su Zhigang	Interest of controlled corporation *(Note 1)*	Domestic Shares	60,020,000	0.63%	0.75%
Zhu Kelin	Interest of spouse	Domestic Shares	1,201,000	0.01%	0.01%
Shao Jianming	Beneficial owner	Domestic Shares	405,800	0.004%	0.005%
	Interest of controlled corporation *(Note 2)*	Domestic Shares	14,060,000	0.15%	0.18%
Zhang Yongming	Beneficial owner	Domestic Shares	11,067,400	0.12%	0.14%
	Interest of controlled corporation *(Note 3)*	Domestic Shares	55,010,000	0.57%	0.69%
Liu Guojie	Interest of controlled corporation *(Note 4)*	Domestic Shares	20,000,000	0.21%	0.25%

Notes:

(1) 30,010,000 Shares, 20,000,000 Shares and 10,010,000 Shares are held by Guangzhou Chimelong Group Co., Ltd. Xiangjiang Safari Park Branch (廣州長隆集團有限公司香江野生動物世界分公司), Guangzhou Chimelong Group Co., Ltd. Chimelong Night Safari Park Branch

(廣州長隆集團有限公司長隆夜問動物世界分公司) and Guangzhou Chimelong Group Co., Ltd. Xiangjiang Hotel Branch (廣州長隆集團有限公司香江酒店分公司), each of which is in turn owned as to 87.14% by Su Zhigang. Therefore, for the purpose of SFO, Su Zhigang, our Director, is deemed or taken to be interested in all the Shares held by Guangzhou Chimelong Group Co., Ltd. Xiangjiang Safari Park Branch, Guangzhou Chimelong Group Co., Ltd. Chimelong Night Safari Park Branch and Guangzhou Chimelong Group Co., Ltd. Xiangjiang Hotel Branch.

(2) Such Shares are held by Guangzhou Highsun Enterprises Group Corp. (廣州海印實業集團有限公司), which is in turn owned as to 65% by Shao Jianming. Therefore, for the purpose of the SFO, Shao Jianming, our Director, is deemed or taken to be interested in all the Shares held by Guangzhou Highsun Enterprises Group Corp..

(3) Such Shares are held by Beijing Tianyou Investment Co., Ltd. (北京天佑投資有限公司), which is in turn owned as to 100% by Zhang Yongming. Therefore, for the purpose of the SFO, Zhang Yongming, our Director, is deemed or taken to be interested in all the Shares held by Beijing Tianyou Investment Co., Ltd.

(4) Such shares are held by Guangzhou Haojin Motorcycle Co., Ltd. (廣州豪進摩托車股份有限公司), which is in turn owned as to 99% by Liu Guojie. Therefore, for the purpose of the SFO, Liu Guojie, our Director, is deemed or taken to be interested in all the Shares held by Guangzhou Haojin Motorcycle Co., Ltd.

Supervisors

Name of Supervisor	Nature of Interest	Class	Number of Shares held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Lu Lian	Interest of controlled corporation *(Note 5)*	Domestic Shares	25,010,000	0.26%	0.31%
Zhang Dalin	Beneficial owner	Domestic Shares	1,201,000	0.01%	0.01%
	Interest of controlled corporation *(Note 6)*	Domestic Shares	5,000,000	0.05%	0.06%
Mao Yunshi	Interest of spouse	Domestic Shares	1,201,000	0.01%	0.01%
Shao Baohua	Beneficial owner	Domestic Shares	1,201,000	0.01%	0.01%
	Interest of spouse	Domestic Shares	2,407,000	0.03%	0.03%
	Interest of controlled corporation *(Note 7)*	Domestic Shares	42,010,000	0.4%	0.52%

(5) 20,010,000 Shares are held by Guangzhou Goldvole Investment Group Co., Ltd. (廣州市金宏利投資集團有限公司), which is in turn owned as to 99% by Lu Lian, and other 5,000,000 Shares are held by Guangzhou Goldvole Estate Co., Ltd. which is in turn owned as to 90% by Guangzhou Goldvole Investment Group Co., Ltd. Therefore, for the purpose of the SFO, Lu Lian, our Supervisor, is deemed or taken to be interested in all the Shares held by Guangzhou Goldvole Investment Group Co., Ltd. and Guangzhou Goldvole Estate Co., Ltd.

(6) Such Shares are held by Guangzhou Fengle Fuel Co., Ltd. (廣州豐樂燃料有限公司), which is in turn owned as to 84% by Zhang Dalin. Therefore, for the purpose of the SFO, Zhang Dalin, our Supervisor, is deemed or taken to be interested in all the Shares held by Guangzhou Fengle Fuel Co., Ltd.

(7) Such Shares are held by Guangzhou Huadu Huanyang Commerce Co., Ltd. (廣州市花都環洋商貿有限公司), which is in turn owned as to 45.4%, by Shao Baohua. Therefore, for the purpose of the SFO, Shao Baohua, our Supervisor, is deemed or taken to be interested in all the Shares held by Guangzhou Huadu Huanyang Commerce Co., Ltd.

(2) Interest in our subsidiaries

Director

Name of Director	Nature of Interest	Subsidiary of our Bank	Shareholding
Shao Jianming	Interest of controlled corporation *(Note 8)*	Heshan Zhujiang County Bank Co., Ltd.	10.00%

(8) 10.00% of the shares in Heshan Zhujiang County Bank Co., Ltd. are held by Guangzhou Highsun Enterprises Group Corp., which is in turn owned as to 65% by Shao Jianming. Therefore, for the purpose of the SFO, Shao Jianming, our Director, is deemed or taken to be interested in all the shares held by Guangzhou Highsun Enterprises Group Corp..

Supervisor

Name of Supervisor	Nature of Interest	Subsidiary of our Bank	Shareholding
Lu Lian	Interest of controlled corporation *(Note 9)*	Xinyang Zhujiang County Bank Co., Ltd.	2.90%
	Interest of controlled corporation *(Note 9)*	Suzhou Wuzhong Zhujiang County Bank Co., Ltd.	5.00%
	Interest of controlled corporation *(Note 9)*	Dongguan Huangjiang Zhujiang County Bank Co., Ltd.	9.00%

(9) 2.90% of the shares in Xinyang Zhujiang County Bank Co., Ltd., 5.00% of the shares in Suzhou Wuzhong Zhujiang County Bank Co., Ltd. and 9.00% of the shares in Dongguan Huangjiang Zhujiang County Bank Co., Ltd. are held by Guangzhou Goldvole Investment Group Co., Ltd., which is in turn owned as to 99% by Lu Lian. Therefore, for the purpose of the SFO, Lu Lian, our Supervisor, is deemed or taken to be interested in all the shares of Xinyang Zhujiang County Bank Co., Ltd., Suzhou Wuzhong Zhujiang County Bank Co., Ltd. and Dongguan Huangjiang Zhujiang County Bank Co., Ltd. held by Guangzhou Goldvole Investment Group Co., Ltd.

C. Particulars of Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, observation of the Articles of Association and provisions on arbitration. Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation)).

D. Directors' and Supervisors' Remuneration

The aggregate remuneration (including salaries, bonus, social security plans, housing provident fund and other allowances, benefits in kind and discretionary bonus) for the Directors and Supervisors by our Bank for the years ended December 31, 2015 and December 31, 2016 were approximately RMB10.72 million and RMB9.08 million, respectively.

Pursuant to the arrangements currently effective, for the year ending December 31, 2017, it is estimated that the aggregate remuneration and benefits in kind to be received by the Directors and Supervisors would be approximately RMB8.34 million.

E. Personal Guarantees

No Director or Supervisor has provided personal guarantees for the benefit of the lenders in connection with any banking facilities granted to us.

F. Agency Fees or Commissions Paid or Payable

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed in "—5. Other information—E. Qualification of Experts" has received any commissions, discounts, agency fees, brokerages or other special terms from us in connection with the issuance or sale of any capital of our Bank within the two years preceding the date of this prospectus.

G. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors, Supervisors or any party listed in "—5. Other information—E. Qualification of Experts" is:

 (i) interested in our promotion, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us, except the properties leased from a company owned by Su Zhigang, our Director, and used as outlets and offices of our Bank;

 (ii) materially interested in any contract or arrangement subsisting as of the date of this prospectus which is significant to our business;

(b) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in "—5. Other information—E. Qualification of Experts":

 (i) is interested legally or beneficially in any of our Shares or our securities; or

 (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our Shares or any of our securities; and

(c) none of our Directors or Supervisors is a director or employee of a company which has an interest in our share capital that has to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO after the listing of H Shares on the Hong Kong Stock Exchange.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that currently there is no material liability for estate duty under the PRC laws that is likely to be imposed on us.

B. Litigation

Save as disclosed in "Business—Legal and Regulatory," our Bank was not involved in any litigation, arbitration or administrative proceedings of material importance and, so far as we are aware, no litigation, arbitration or administrative proceedings of material importance was pending or threatened against us as of the Latest Practicable Date.

C. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS. The Joint Sponsors satisfy the independence criteria set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will charge a total amount of US$1.28 million in aggregate as the sponsors' fee.

D. Preliminary Expenses

Our preliminary expenses are estimated to be approximately RMB2.09 million and are payable by us.

E. Qualification of Experts

The qualifications of the experts who have given opinions or advice in this prospectus are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO to engage in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities
China Merchants Securities (HK) Co., Limited	A licensed corporation under the SFO to engage in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
CCB International Capital Limited	A licensed corporation under the SFO to engage in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
ABCI Capital Limited	A licensed corporation under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
King & Wood Mallesons	Legal advisors as to the PRC laws
Ernst & Young	Certified Public Accountants, Hong Kong

F. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospect since December 31, 2016.

G. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

H. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years preceding the date of this prospectus, (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash, and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Bank;

(b) no share or loan capital is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) none of our equity and debt securities is listed or dealt with on any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(e) there are no arrangements under which future dividends are waived or agreed to be waived;

(f) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(g) there are no contracts for hire or hire purchase of any plant to or by us for a period of over one year which are substantial in relation to our business;

(h) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(i) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from overseas;

(j) we have no outstanding convertible debt securities; and

(k) we currently do not intend to apply for the status of a Sino-foreign investment joint stock limited company and do not expect to be subject to the Sino-foreign Joint Venture Law of the PRC.

I. Consents

China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited, CCB International Capital Limited and ABCI Capital Limited, as the Joint Sponsors; King & Wood Mallesons, as our legal advisors as to the PRC laws; and Ernst & Young, as our Reporting Accountants, have given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports, letters, and/or opinions (as the case may be) and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Bank or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Bank.

J. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published respectively, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

K. Promoters

The promoters of our Bank comprised 727 corporate shareholders and 28,936 individual shareholders (being members of Guangzhou Rural Credit Cooperative and our share subscribers upon our incorporation). Please see "History and Development."

Save for the Global Offering and as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters above in connection with the Global Offering or the transactions described in this prospectus.

L. Particulars of Selling Shareholders

1. Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司) located at Room 2601-2624, 26/F, Block B, Sinopec Tower, No.191, Tiyu Road West, Tianhe District, Guangzhou. Its business scope mainly includes operation of private capital; assets management; investment advisory services; investment management services; corporate management services.
2. Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司) located at 28/F and 29/F, South Tower, World Trade Centre, No.371-375, Huanshi Road East, Yuexiu District, Guangzhou. Its business scope mainly includes operation of private capital; real estate development and operation, property management, real estate agency, real estate advisory, property leasing, venue leasing, building construction; interior decoration, interior design, post-construction decoration, refurbishment and cleaning; hotel management; engineering technology advisory services, design of building materials, advisory services, general project contracting, general construction contracting; import and export of technology and goods; commodity wholesale and retail trading, and dispatching workforce overseas.
3. Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司) located at No.9 Jinsha Road, Gongye Dadao, Haizhu District, Guangzhou. Its business scope mainly includes dispatch of workforce; cooperating with overseas labor services; tyre manufacturing; manufacturing of rubber sheets, tubes and belts; rubber parts manufacturing; recycled rubber manufacturing; manufacturing of rubber products for daily and medical uses; inorganic salt manufacturing; inorganic alkali manufacturing; manufacturing of organic chemical raw material and other non-hazardous elementary chemical raw material; special chemical manufacturing; coating manufacturing; wholesale trading of cosmetics and sanitary products; retail trading of cosmetics and sanitary products; retail of medical products and equipment; plastic medical and sanitary supplies manufacturing; real estate development and operation; private real estate business activities; property leasing; venue leasing; real estate agency; corporate headquarters management; asset management and corporate management services; corporate capital investment; information technology

advisory services; engineering and technology research and development and experimental development; technology agency services; information technology advisory services; vocational skills training; wholesale of chemical products; trading agency; import and export of goods; import and export of technology; other warehousing services; road cargo transportation and agency; property management.

4. Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司) located at No.163, Pingyun Road, Huangpu Avenue West, Tianhe District, Guangzhou. Its business scope mainly includes assets management; manufacturing of computer application electronic equipment; manufacturing of communication system equipment; manufacturing of communication terminal equipment; manufacturing of radars and auxiliary equipment; development and of computer technology and technology services; software development; information technology advisory services; real estate development and operation; property leasing; import and export of goods; import and export of technologies; commodity wholesale trading; manufacturing of plastic parts; manufacturing of audio equipment; manufacturing of video recording and playing equipment; manufacturing of optoelectronic devices and other electronic devices; manufacturing of drawing, calculating and measuring devices; manufacturing of computers; manufacturing of computer parts; manufacturing of metal cutting machines; research and development of electronic, communication and automatic control technology; electronic products design services; communication engineering design services; commodity retail trading; repair of special equipment; repair of electrical equipment; software services.

5. Guangzhou Department Stores Enterprises Group Co., Ltd. (廣州百貨企業集團有限公司) located at 23/F, No.12, Xihu Road, Yuexiu District, Guangzhou. Its business scope mainly includes corporate headquarters management; corporate management services; asset management; supply chain management; corporate management advisory services; corporate image planning services; public relations services; market research services; commodities information advisory services; marketing services; conference and exhibition services; corporate capital investment; planning and organization of large activities; investment management services; commercial licensing operation; retail trading of commodities; trade agency; commission agency; wholesale trading of commodities; road cargo transportation and agency; logistics agency services; warehousing agency services; other warehousing services; real estate development and operation; property management; real estate agency; real estate advisory services; property leasing; venue leasing; interior decoration and design.

6. Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司) located at No.147, Yanjiang Road West, Yuexiu District, Guangzhou. Its business scope mainly includes asset management, investment of private funds and investment management services; manufacturing of daily chemical products; manufacturing of canned food products; healthy food manufacturing; beverage manufacturing; production of clocks and timing devices; production of daily plastic goods; manufacturing and processing of hardware accessories; production of leather clothing; production of sports equipment and accessories; manufacturing of woven, knitting or crochet clothing; sales of goods; commodity information advisory; import and export of goods and technologies, sales of general machineries, trading agency, wholesale and retail trading of commodities; wholesale and retail trading of textiles, knitwear and raw materials, craft products and hardware products, wholesale of metal and metal mines, wholesale of non-metal mines

and products, wholesale and retail trading of chemical products, retail trading of oil and foodstuffs, wholesale and retail trading of pre-packaged food, retail trading of bulk-packaged food, wholesale and retailing trading of medicines; road transportation of cargoes, transportation of bulk goods for domestic trading and warehousing agency services; agency services for tourists, such as arrangement of tourism, transportation, accommodation and food and beverage; information technology advisory service, safe production technology service, corporate management advisory, technology agency service; real estate development and operation, property management, property agency, real estate advisory, private real estate business activities, property leasing; advertising, packaging and decoration design, convention and exhibition services.

7. Guangzhou Jinjun Investments Holding Co., Ltd. (廣州金駿投資控股有限公司) located at Unit B, 12/F, No.171, Haibin Road, Nansha District, Guangzhou. Its business scope mainly includes assets management; operation of private capital; investment advisory services; enterprise management advisory services; commodity wholesale trading.

8. Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司) located at Levels D4, D5, D6 and Room C413-4, Commercial Building of Marriott China Hotel, No.122, Liuhua Road, Yuexiu District, Guangzhou. Its business scope mainly includes assets management; hotel management; convention and exhibition services; commodity wholesale trading and retail trading.

9. Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司) located at Rooms 2201, 2207-2212, No.140-148, Tiyu Road East, Tianhe District, Guangzhou. Its business scope mainly includes corporate management services, asset management, venture capital, equity investment, equity investment management, private real estate operation, property management, property leasing, wholesale of metal and metal ores and car park operation.

10. Guangzhou Textiles Industry & Trade Holdings Ltd. (廣州紡織工貿企業集團有限公司) located at Levels 10-14, No. 438 Dongfeng Middle Road, Yuexiu District, Guangzhou. Its business scope mainly includes manufacturing of knitting or crochet clothing; manufacturing of woven clothing; assets management; investment management services; wholesale of textiles, knitwear and raw materials; retail of textiles and knitwear; wholesale of clothing; wholesale of clothing accessories; retail of clothing; retail of clothing accessories; commodity wholesale trading; commodity retail trading; import and export of goods.

11. Guangzhou Port Group Co., Ltd. (廣州港集團有限公司) located at No.406 Yanjiang Road East, Yuexiu District, Guangzhou. Its business scope mainly includes sea transportation of cargos agency; domestic sea transportation agency; international transportation agency; integrated transportation agency services; logistics agency services; road transportation of cargos agency; warehousing agency services; cargos inspection agency services; cargos customs declaration agency services; port and ship dispatch services; pilot services of ships; comprehensive agency services of dispatching, loading and transportation; other warehousing services; containers maintenance; containers leasing services; cleansing and sterilizing services of transportation equipment; gas business; sales of fuel; sales of computer parts; retail of electronic products; retail of communications equipment; installation services of building waterworks system; installation services of building drainage system; installation of building electricity; building construction; venue leasing;

machine leasing; sea transportation equipment leasing services; manufacturing of machine for handling other metals; manufacturing of processing machine for other metals; repair of specialized equipment; repair of ships; catering management; wholesale trading of commodities; retail trading of commodities; import and export of goods; import and export of technology; transportation advisory services; engineering technology advisory services; project pricing advisory services; warehousing advisory services; trade advisory services; commodities information advisory services; information technology advisory services; development and technical services of computers; software development; engineering services of computer network systems; computer and communications equipment leasing; installation services of communications facilities; design services for communications engineering; leasing of communications base and facilities; engineering services of communication systems; installation of communications lines and equipment; ship communications services; property leasing; property management; provision of agency services such as travel, transportation, accommodation and food and beverages for tourists; provision of basic processing services such as port cargos handling, warehousing, port barging and container loading stacking and disassembling; leasing and maintenance services of port facilities, equipment and machine; provision of equipment such as pier, anchorage areas and buoys for ships; provision of waiting area and boarding facilities and services for ship passengers; provision of temporary piers and towage services for ship arrivals and departures and parking; supplement services for ships; ship pollutant collection services and provision of oil booms; handling of dangerous goods in port; port cargo management; cargo transportation for Hong Kong and Macau; domestic cargo transportation of ordinary goods; domestic cargo transportation of hazardous liquid and goods; sea transportation for passengers; international ship transportation; road transportation of cargos; wholesale of oil products; retail of oil products (petroleum); retail of oil products (diesel); retail of oil products (coal); repair and maintenance of automobiles; distribution of labor dispatch services; and external collaboration of labor services.

12. Guangzhou Development District Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司) located at No.233 Development Avenue, Guangzhou Economic and Technological Development Zone. Its business scope mainly includes investment management services, corporate management services, real estate development and operation, housing construction, property leasing, real estate agency services, private real estate business activities, property management, municipal public works construction, wholesale trading of commodity, demolition of buildings and investment advisory services.

13. Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司) located at 103, No.62 Hongjing Road, East District, Guangzhou Economic and Technological Development Zone. Its business scope mainly includes land management and reclamation; real estate development and operation; retail trading of commodities; corporate management advisory services; tender advisory services; engineering technology advisory services; and wholesale trading of commodities.

M. Financial Advisor

AMTD Asset Management Limited has been appointed by us as our financial advisor in respect of the Global Offering. The appointment of AMTD Asset Management Limited was not made pursuant to the requirements of the Listing Rules, and is separate and distinct from the appointment of the Joint Sponsors (which is required to be made by us pursuant to the Listing Rules). The Joint Sponsors are responsible for fulfilling their duties as sponsors to our application for listing on the Hong Kong Stock Exchange, and the Joint Sponsors have not relied on any of the work performed by AMTD Asset Management Limited in fulfilling those duties. AMTD Asset Management Limited's role as our financial advisor in respect of the Global Offering is different from that of the Joint Sponsors in that it, among other things, focuses on providing general financial advice to us on matters relating to the Listing and the Global Offering. AMTD Asset Management Limited is a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 2 (Dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the Application Forms;

(b) the written consents referred to in the paragraph entitled "5I. Consents" in Appendix VII to this prospectus;

(c) copies of each of the material contracts referred to in the paragraph entitled "3A. Summary of Our Material Contracts" in Appendix VII to this prospectus; and

(d) the statement of particulars of the Selling Shareholders.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of King & Wood Mallesons at 13th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the accountants' report from Ernst & Young in respect of the historical financial information for each of the years ended December 31, 2014, 2015 and 2016, the text of which is set forth in Appendix I to this prospectus;

(c) the unaudited supplementary financial information of our Bank, the text of which is set forth in Appendix II to this prospectus;

(d) the report from Ernst & Young in respect of the unaudited pro forma financial information of our Bank, the text of which is set forth in Appendix III to this prospectus;

(e) the audited financial statements of our Bank for the years ended December 31, 2014, 2015 and 2016;

(f) the material contracts referred to in the paragraph entitled "3A" in Appendix VII to this prospectus;

(g) the written consents referred to in the paragraph entitled "5I" in Appendix VII to this prospectus;

(h) the service contracts referred to in the paragraph entitled "4C" in Appendix VII to this prospectus;

(i) the legal opinions issued by King & Wood Mallesons, our legal advisors as to the PRC laws, in respect of the general matters and property interests of our Bank;

(j) copies of the following PRC laws, together with unofficial English translations thereof:

i. the PRC Company Law;

ii. the PRC Securities Law;

iii. the Special Regulations;

iv. the Mandatory Provisions;

v. the Provisional Regulations Concerning the Issue and Trading of Shares (April 22, 1993);

vi. the PRC Arbitration Law;

vii. the PRC Civil Procedure Law;

viii. the PRC Commercial Bank Law; and

(k) a list containing the particulars of the Selling Shareholders including the name, addresses and descriptions.

广州农商银行

GUANGZHOU RURAL COMMERCIAL BANK