甘肃银行
BANK OF GANSU

甘肅銀行股份有限公司
BANK OF GANSU CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 2139

GLOBAL OFFERING

Joint Sponsors

招银国际 CMB INTERNATIONAL | 建银国际 CCB International | 華泰金融控股(香港)有限公司 HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED | 國泰君安國際 GUOTAI JUNAN INTERNATIONAL | BOC INTERNATIONAL

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IMPORTANT

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

甘肃银行
BANK OF GANSU

BANK OF GANSU CO., LTD.*
甘肅銀行股份有限公司*

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**2,212,000,000 H Shares (subject to the Over-allotment Option)**
Number of Offer Shares under International Offering	**:**	**1,990,800,000 H Shares (subject to re-allotment and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**221,200,000 H Shares (subject to re-allotment)**
Maximum Offer Price	**:**	**HK$2.77 per H Share (payable in full on application in Hong Kong dollars, subject to refund on final pricing), plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%**
Nominal Value	**:**	**RMB1.00 per H Share**
Stock Code	**:**	**2139**

Joint Sponsors

招銀国际 CMB INTERNATIONAL　建银国际 CCB International　華泰金融控股(香港)有限公司 HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED　國泰君安國際 GUOTAI JUNAN INTERNATIONAL　BOC INTERNATIONAL

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海通國際 HAITONG　農銀國際 ABC INTERNATIONAL　ICBC 工银国际　絲路國際 CSRI

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 and the documents specified in "Appendix VIII—Documents Delivered to the Registrar of Companies and Available for Inspection" have been registered by the Registrar of Companies in Hong Kong under Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above. The Offer Price is expected to be fixed by agreement between the Joint Representatives (on behalf of the Underwriters) and the Bank on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, January 11, 2018 and, in any event, not later than Monday, January 15, 2018. The Offer Price will not be more than HK$2.77 per Offer Share and is currently expected to be not less than HK$2.61 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed between the Joint Representatives (on behalf of the Underwriters) and the Bank by Monday, January 15, 2018 the Global Offering (including the Hong Kong Public Offering) will not proceed and will become invalid.

The Bank is incorporated, and most of its businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and the different risks relating to investment in PRC incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from that in Hong Kong and should take into consideration the different market nature of the Bank's Shares. Please refer to "Risk Factors", "Supervision and Regulation", "Appendix IV—Summary of Principal Legal and Regulatory Provisions" and "Appendix V—Summary of Articles of Association".

The Joint Representatives (on behalf of the Underwriters) may, with the Bank's consent, reduce the number of Offer Shares offered under the Global Offering and/or the indicative Offer Price range (HK$2.61 to HK$2.77 per H Share) stated in this prospectus at any time in or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese). Such notice will also be available on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the Bank's website at http://www.gsbankchina.com. Please refer to "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement may be terminated by the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) if certain events occur prior to 8:00 a.m. on the Listing Date. Please refer to "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 or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares are being offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S or other exemption from the registration requirements of the U.S. Securities Act.

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

December 30, 2017

Latest time to complete electronic applications under the **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Thursday, January 11, 2018
Application lists open[3]	11:45 a.m. on Thursday, January 11, 2018
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Thursday, January 11, 2018
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Thursday, January 11, 2018
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 Thursday, January 11, 2018
Application lists close	12:00 noon on Thursday, January 11, 2018
Expected Price Determination Date	Thursday, January 11, 2018
Announcement of the Offer Price	Wednesday, January 17, 2018
Announcement of: • the level of applications in the Hong Kong Public Offering; • the level of indication of interest in the International Offering; and • the basis of allotment of the Hong Kong Offer Shares to be published (a) in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) ; and (b) on the Bank's website at **http://www.gsbankchina.com**[5] and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**[6] on	Wednesday, January 17, 2018
Results of allocations in the Hong Kong Public Offering together with successful applicants' identification document numbers (where appropriate) to be available through a variety of channels as described in "How to Apply for Hong Kong Offer Shares—11. Publication of Results" from	Wednesday, January 17, 2018
Results of allocations for the Hong Kong Public Offering together with successful applicants' identification document numbers (where appropriate) will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**), with a "search by ID" function from	Wednesday, January 17, 2018
Dispatch of H Share certificates in respect of wholly or partially successful applications or which are deposited in CCASS on or before[7]	Wednesday, January 17, 2018
Dispatch of **White Form** e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications on or before[7][8][9]	Wednesday, January 17, 2018
Dealings in H Shares on the Hong Kong Stock Exchange expected to commence on	09:00 a.m. on Thursday, January 18, 2018

The application for the Hong Kong Offer Shares will commence on Saturday, December 30, 2017 through Thursday, January 11, 2018, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Hong Kong Stock Exchange trading fees) will be held by the receiving banks on behalf of the Bank and the refund monies, if any, will be returned to the applicants without interest on Wednesday, January 17, 2018. Investors should be aware that the dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Thursday, January 18, 2018.

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

(2) If you have already submitted your application and obtained an application reference number from the designated website at **www.eipo.com.hk** 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 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 signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, January 11, 2018, the application lists will not open on that day. Please refer to "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 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) The website or any information on the website do not constitute part of this prospectus.

(6) Announcements can be viewed on the HKEx website at **www.hkexnews.hk**.

(7) Applicants who have applied for 1,000,000 Hong Kong Offer Shares or more and have provided all required information in the Application Forms may collect refund cheques (if applicable) and H Share certificates (if applicable) in person from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, January 17, 2018. Individual applicants who are eligible to collect in person shall not authorize any other person to collect in their names. Company applicants which choose to ask someone to collect shall collect through their authorized representative with a letter of authorization under the seal of the company. Identification acceptable to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, must be produced at the time of collection by individual and authorized representative (if applicable). Uncollected refund cheques and H Share certificates will be dispatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms by the applicants as soon as possible. Please refer to "How to Apply for Hong Kong Offer Shares" for detailed information.

(8) Applicants who have applied through the **White Form eIPO** service by paying the application monies through a single bank account may have e-Refund payment instructions (if any) dispatched to their application payment bank account. Applicants who have applied through the **White Form eIPO** service by paying the application monies through multiple bank accounts may have refund cheque(s) (if any) sent to the address specified in their application instructions through the **White Form eIPO** Service Provider, by ordinary post and at their own risk.

(9) e-Refund payment instructions/refund cheques will be dispatched 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.

H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and the Hong Kong Underwriting Agreement and the International Underwriting Agreement have not been terminated in accordance with their terms before 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or around Thursday, January 18, 2018. If investors deal in H Shares on the basis of publicly available allocation information before receiving H Share certificates or before H Share certificates become valid certificates of title, the investors shall bear all related risks.

CONTENTS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Bank has not authorized anyone to provide you with information that is different from what is contained in this prospectus. You should not deem any information or statement in addition to this prospectus as that has been authorized by the Bank, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of the Bank's or their respective directors, officers or representatives, or any other party involved in the Global Offering, and you should not rely on it.

CONTENTS

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

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

OVERVIEW

We are the only provincial city commercial bank in Gansu province, China. We ranked 2nd in total assets and 3rd in total deposits among banking institutions operating in Gansu as of June 30, 2017, according to the PBoC. We held an overall ranking of 11 among city commercial banks in China in 2016, according to the 2016 "GYROSCOPE" evaluation of China's commercial banks based on capability for stable development by the China Banking Association.

We have established a comprehensive business network across Gansu province. As of June 30, 2017, we operated a head office, 9 branches and 189 sub-branches, as well as 2 sub-branches that serve small and micro enterprises. This network covers all 14 cities and prefectures and 81 out of 86 counties and districts in Gansu province (covering all the cities and prefectures and 94% of the counties and districts in Gansu province). In addition, with the support of the Gansu government, we have established long-term business relationships with government agencies, public institutions, SOEs and private businesses in Gansu.

As of the Latest Practicable Date, we had established strategic relationships with 13 city and prefecture governments, numerous provincial government agencies and over 70 counties and districts governments in Gansu province. Our corporate banking clients include Fortune 500 and China Top 500 companies from a wide range of industries, including infrastructure, environmental, culture, tourism, "three rurals", technology, livelihood and other sectors.

We have grown rapidly, with total assets, deposits and loans increasing by over 30 times[(1)] since our founding in November 2011 through June 30, 2017. From December 31, 2011 to December 31, 2016, our total assets grew at a CAGR of over 70%, making us one of the fastest growing city commercial banks in China. Our total assets increased by 63.1%, from RMB165.1 billion as of December 31, 2014 to RMB269.4 billion as of June 30, 2017.

From 2014 to 2016, our operating income increased from RMB3,602.4 million to RMB6,970.9 million, representing a CAGR of 39.1%. For the six months ended June 30, 2016 and 2017, our operating income was RMB3,269.5 million and RMB4,050.5 million, respectively. From 2014 to 2016, our net profit increased from RMB1,062.6 million to RMB1,921.0 million, representing a CAGR of 34.5%. For the six months ended June 30, 2016 and 2017, our net profit was RMB716.8 million and RMB2,045.8 million, respectively.

Our Competitive Strengths

Our main competitive strengths include:

- As the only provincial city commercial bank in Gansu province, we benefit from the economic development of Gansu and the support of the Gansu government, with a leading growth rate among city commercial banks in the PRC based on total assets.

(1) Based on our unaudited management accounts as of November 18, 2011, the date we commenced operations, and our audited accounts as of June 30, 2017.

- We are committed to building a service network closely aligned with the Gansu economy, and feature a diverse group of quality clients.
- We operate distinctive small and micro, "three rurals" and "green" financial businesses.
- We are strongly committed to developing financial technology to build an Internet finance ecosystem.
- We have established a systematic and comprehensive risk management framework.
- We have an experienced senior management team, high-quality staff and distinctive company culture.

For details of our competitive strengths, please refer to "Business—Our Competitive Strengths" from pages 122 to 129 of this prospectus.

Our Development Strategies

Our strategic vision is to become a first-class comprehensive financial group encompassing modern commercial banking, consumer finance and financial leasing in western China. We plan to achieve this strategic vision through the following measures:

- Improve our ability to provide comprehensive financial services.
- Promote our differential development and enhance the competitiveness of our "three rurals" and small and micro businesses.
- Remain at the forefront of, and promote innovation in, financial technology.
- Enhance micro management to enhance compliance enforcement in our operations.
- Underscore the importance of talent and continue to enhance the unity of our employees.

For details of our development strategies, please refer to "Business—Our Development Strategies" from pages 129 to 132 of this prospectus.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The summary historical financial information below has been derived from the Bank's consolidated statements of profit or loss for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 and the consolidated statements of financial position as of December 31, 2014, 2015 and 2016 and June 30, 2017 as set out in "Appendix I—Accountants' Report" to this prospectus. The summary historical financial information set out below should be read in conjunction with the sections of this prospectus headed "Assets and Liabilities" and "Financial Information".

Selected Consolidated Statements of Profit or Loss Data

The following table sets forth our statements of profit or loss for the period indicated.

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(unaudited)	
	(in millions of RMB)				
Interest income	7,992.7	11,129.0	12,063.0	5,826.7	6,871.4
Interest expense	(4,559.7)	(5,995.0)	(5,392.8)	(2,648.6)	(3,120.8)
Net interest income	**3,433.0**	**5,134.0**	**6,670.2**	**3,178.1**	**3,750.6**
Fee and commission income	166.0	198.7	327.4	112.3	259.7
Fee and commission expenses	(27.4)	(57.3)	(71.1)	(32.6)	(35.2)
Net fee and commission income	**138.6**	**141.4**	**256.3**	**79.7**	**224.5**
Net trading (losses)/gains	—	(6.1)	(8.0)	6.3	(3.9)
Net losses arising from investment securities	—	(1.0)	—	—	—
Net Exchange (losses)/gains	(1.2)	6.3	9.9	3.1	(4.7)
Other operating income	32.0	28.2	42.5	2.3	84.0
Operating income	**3,602.4**	**5,302.8**	**6,970.9**	**3,269.5**	**4,050.5**
Operating expenses	(1,258.6)	(1,830.0)	(1,903.8)	(876.9)	(842.2)
Impairment losses on assets	(938.0)	(1,720.5)	(2,504.4)	(1,438.9)	(497.1)
Operating profit	**1,405.8**	**1,752.3**	**2,562.7**	**953.7**	**2,711.2**
Share of profits of associates	2.8	1.4	1.9	0.6	0.9
Profit before tax	**1,408.6**	**1,753.7**	**2,564.6**	**954.3**	**2,712.1**
Income tax expense	(346.0)	(455.3)	(643.6)	(237.5)	(666.3)
Profit for the period	**1,062.6**	**1,298.4**	**1,921.0**	**716.8**	**2,045.8**

Our operating income increased by 23.9% from RMB3,269.5 million in the six months ended June 30, 2016 to RMB4,050.5 million in the same period in 2017, primarily reflecting a RMB572.5 million increase in net interest income, primarily due to:

- a RMB1,044.7 million increase in interest income, primarily attributable to an increase in the average balance of interest-earning assets in line with the growth of our business. This increase was partially offset by a decrease in the average yield of interest-earning assets, primarily due to (i) increased market competition reflecting increased interest rate liberalization, (ii) lower returns on our investments in non-standard credit assets, and (iii) our increased investments in debt securities with high liquidity and lower yields; and
- a RMB472.2 million increase in interest expense, primarily due to an increase in the average balance of interest-bearing liabilities resulting from higher customer deposits and repurchase transactions and our issuance of debt securities. This increase was partially offset by a decrease in the average cost of interest-bearing liabilities, primarily due to lower interest rates offered for our deposit products rolled over at maturity, primarily resulting from reductions in PBoC benchmark interest rates in 2014 and 2015.

Our operating income increased by 31.5% from RMB5,302.8 million in 2015 to RMB6,970.9 million in 2016, primarily reflecting a RMB1,536.2 million increase in net interest income, primarily reflecting:

- a RMB934.0 million increase in interest income, primarily attributable to an increase in the average balance of interest-earning assets in line with the growth of our business. This increase was partially offset by a decrease in the average yield of interest-earning assets, primarily due to (i) reductions in PBoC benchmark interest rates and increased market competition reflecting increased interest rate liberalization, and (ii) lower market interest rates; and

- a RMB602.2 million decrease in interest expense, primarily due to a decrease in the average cost of interest-bearing liabilities, primarily due to five reductions in PBoC benchmark interest rates in 2015 and lower market interest rates. This decrease was partially offset by an increase in the average balance of interest-bearing liabilities, primarily due to increases in deposits from customers and deposits from banks and other financial institutions, and our issuance of debt securities.

Operating income increased by 47.2% from RMB3,602.4 million in 2014 to RMB5,302.8 million in 2015, primarily reflecting a RMB1,701.0 million increase in net interest income, primarily due to:

- a RMB3,136.3 million increase in interest income, primarily attributable to an increase in the average balance of interest-earning assets in line with the growth of our business. This increase was partially offset by a decrease in the average yield of interest-earning assets, primarily due to (i) reductions in PBoC benchmark interest rates and increased market competition reflecting increased interest rate liberalization, and (ii) lower market interest rates; and
- a RMB1,435.3 million increase in interest expense, primarily attributable to an increase in the average balance of interest-bearing liabilities, primarily due to increases in deposits from customers and borrowing from the central bank, and our issuance of debt securities. The increase was partially offset by a decrease in the average cost of interest-bearing liabilities, primarily due to an increase in the proportion of deposit products with lower interest rates.

Our profit increased by 185.4% from RMB716.8 million in the six months ended June 30, 2016 to RMB2,045.8 million in the same period of 2017, primarily reflecting an increase in operating income due to the growth of our business and a decrease in impairment losses on loans and advances to customers and debt securities classified as receivables. The decrease in impairment losses on loans and advances to customers primarily resulted from the improved quality of our loan portfolio in the six months ended June 30, 2017 compared to the same period of 2016. The decrease in impairment losses on debt securities classified as receivables primarily resulted from adjustments in our investment portfolio, including our sale of non-standard credit assets in the six months ended June 30, 2017, partially offset by the higher risk profile of certain non-standard credit assets on our balance sheet.

Our principal business lines are corporate banking, retail banking and financial market operations. The following table sets forth our operating income by business line for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in millions of RMB, except percentages)									
Corporate banking	1,805.6	50.1%	3,122.5	58.9%	4,077.7	58.5%	2,024.4	61.9%	2,111.8	52.2%
Retail banking	622.4	17.3%	226.0	4.3%	767.2	11.0%	273.4	8.4%	370.1	9.1%
Financial market operations	1,118.4	31.0%	1,916.5	36.1%	2,050.8	29.4%	955.8	29.2%	1,474.8	36.4%
Others(1)	56.0	1.6%	37.8	0.7%	75.2	1.1%	15.9	0.5%	93.8	2.3%
Total	**3,602.4**	**100.0%**	**5,302.8**	**100.0%**	**6,970.9**	**100.0%**	**3,269.5**	**100.0%**	**4,050.5**	**100.0%**

Note:
(1) Primarily represent assets, liabilities, income and expenses which cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.

Our financial market operations primarily include money market transactions, investment business and wealth management business. The following table sets forth the income from and average yield on our standard investment products and non-standard credit assets investments by product type for the periods indicated.

	Year ended December 31,									Six months ended June 30,					
	2014			2015			2016			2016			2017		
	Income	% of total	Average yield(1)	Income	% of total	Average yield(1)	Income	% of total	Average yield(1)	Income	% of total	Average yield(1)	Income	% of total	Average yield(1)
	(in millions of RMB, except for percentages)														
Standard Investment products	48.1	1.3%	5.18%	183.7	4.1%	4.26%	332.6	7.1%	3.90%	164.7	7.5%	4.54%	240.2	9.3%	4.04%
Non-standard credit assets															
Asset management plans	2,115.0	58.7%	8.27%	2,806.5	62.7%	8.08%	2,909.5	62.4%	6.27%	1,431.2	64.8%	6.65%	2,020.0	78.3%	6.05%
Trust plans	1,434.1	39.8%	8.21%	1,480.8	33.1%	7.95%	1,380.3	29.6%	6.42%	595.3	26.9%	6.92%	303.0	11.7%	5.70%
Wealth management products	7.3	0.2%	6.89%	6.7	0.1%	6.70%	38.8	0.8%	3.88%	18.8	0.9%	2.45%	17.1	0.7%	5.77%
Sub-total	3,556.4	98.7%	8.24%	4,294.0	95.9%	8.03%	4,328.6	92.9%	6.28%	2,045.3	92.5%	6.70%	2,340.1	90.7%	6.00%
Total	**3,604.5**	**100.0%**	**7.92%**	**4,477.7**	**100.0%**	**7.87%**	**4,661.2**	**100.0%**	**6.18%**	**2,210.0**	**100.0%**	**6.33%**	**2,580.3**	**100.0%**	**5.75%**

Note:
(1) Average yields are calculated by dividing income from the relevant investments or assets by their average daily balances in our unaudited management accounts.

Selected Historical Consolidated Financial Position Data

The table below sets forth the selected consolidated financial position data for the period indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Assets								
Loans and advances to customers, gross	56,495.5	34.2%	90,626.7	42.8%	107,855.1	44.0%	118,169.9	43.9%
Provision for impairment losses	(977.2)	(0.6)%	(2,419.8)	(1.1)%	(3,756.0)	(1.5)%	(4,247.6)	(1.6)%
Loans and advances to customers, net	55,518.3	33.6%	88,206.9	41.7%	104,099.1	42.5%	113,922.3	42.3%
Investment securities and other financial assets(1)	62,011.4	37.5%	70,846.4	33.4%	87,116.2	35.5%	65,221.6	24.2%
Deposits with banks	19,427.7	11.8%	26,573.8	12.5%	24,571.9	10.0%	42,774.9	15.9%
Cash and deposits with the central bank	21,172.5	12.8%	23,548.7	11.1%	25,079.1	10.2%	26,618.4	9.9%
Financial assets held under resale agreements	4,893.9	3.0%	—	—	498.1	0.2%	15,749.2	5.8%
Other assets(2)	2,076.3	1.3%	2,754.9	1.3%	3,692.0	1.6%	5,068.2	1.9%
Total assets	**165,100.1**	**100.0%**	**211,930.7**	**100.0%**	**245,056.4**	**100.0%**	**269,354.6**	**100.0%**
Liabilities								
Deposits from customers	110,541.6	71.6%	141,020.6	70.6%	171,165.3	73.9%	186,931.5	73.6%
Deposits from banks and other financial institutions	37,049.6	24.0%	39,934.3	20.0%	35,777.4	15.4%	28,609.9	11.3%
Financial assets sold under repurchase agreements	2,010.4	1.3%	5,206.1	2.6%	4,580.5	2.0%	7,572.9	3.0%
Debt securities issued	—	—	5,903.0	2.9%	10,134.9	4.4%	21,456.4	8.4%
Borrowings from the central bank	2,511.8	1.6%	4,344.7	2.2%	5,692.9	2.4%	4,910.4	1.9%
Placements with banks and other financial institutions	80.0	0.1%	700.0	0.3%	—	—	50.0	0.0%
Other liabilities(3)	2,156.8	1.4%	2,727.3	1.4%	4,361.7	1.9%	4,455.4	1.8%
Total liabilities	**154,350.2**	**100.0%**	**199,836.0**	**100.0%**	**231,712.7**	**100.0%**	**253,986.5**	**100.0%**

Notes:

(1) Includes debt securities classified as receivables, available-for-sale financial assets, held-to-maturity investments, and financial assets at fair value through profit or loss.

(2) Primarily consists of property and equipment, deposit paid for acquisitions of premises, deferred tax assets, interests receivable and interests in an associate.

(3) Primarily include interest payable, taxes payable, staff costs and deferred tax liabilities.

For further details, please refer to "Assets and Liabilities" from page 261 and "Financial Information" from page 303 in this prospectus.

Selected Financial Ratios

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

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(unaudited)	
Profitability indicators					
Return on assets(1)	0.87%	0.69%	0.84%	0.66%	1.59%
Return on equity(2)	12.16%	11.37%	15.10%	11.81%	28.50%
Net interest spread(3)	2.56%	2.79%	2.89%	2.95%	2.81%
Net interest margin(4)	2.85%	2.96%	3.08%	3.07%	2.96%
Net fee and commission income to operating income ratio(5)	3.85%	2.67%	3.68%	2.44%	5.54%
Cost-to-income ratio(6)	29.56%	28.72%	25.16%	23.35%	20.29%

Notes:

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

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

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

(4) Calculated by dividing net interest income by average interest-earning assets.

(5) Calculated by dividing net fee and commission income by operating income.

(6) Calculated by dividing total operating expenses (net of business tax and surcharges) by operating income.

The table below sets forth the information relating to our certain regulatory indicators calculated according to the requirements of banking regulatory authorities in China and applicable accounting principles for the dates indicated.

	Regulatory requirement	As of December 31,			As of June 30,
		2014	2015	2016	2017
Capital adequacy indicators					
Core tier-one capital adequacy ratio(1)	≥ 7.1%(4)	9.85%	8.57%	8.58%	8.55%
Tier-one capital adequacy ratio(2)	≥ 8.1%(4)	9.85%	8.57%	8.58%	8.55%
Capital adequacy ratio(3)	≥10.1%(4)	10.55%	11.42%	11.80%	11.49%
Shareholders' equity to total assets ratio	—	6.51%	5.71%	5.45%	5.71%
Assets quality indicators					
Non-performing loan ratio	≤ 5%	0.39%	1.77%	1.81%	1.63%
Provision coverage ratio(5)	≥ 150%	448.83%	150.94%	192.72%	220.29%
Provision to total loan ratio(6)(7)(8)	≥ 2.5%	1.73%	2.67%	3.48%	3.59%
Other indicators					
Loan to deposit ratio(9)	≤ 75%	51.11%	64.26%	63.01%	63.22%

Notes:

(1) Core tier-one capital adequacy ratio = (core tier-one capital - corresponding capital deductions) / risk-weighted assets.

(2) Tier-one capital adequacy ratio = (tier-one capital - corresponding capital deductions) / risk-weighted assets.

(3) Capital adequacy ratio = (total capital - corresponding capital deductions) / risk-weighted assets.

(4) Represents the regulatory requirements with which we are required to comply by December 31, 2017. Pursuant to the relevant regulatory requirements, we were required to maintain core tier-one capital adequacy ratio of no less than 5.9%, 6.3% and 6.7%, respectively, tier-one capital adequacy ratio of no less than 6.9%, 7.3% and 7.7%, respectively, and capital adequacy ratio of no less than 8.9%, 9.3% and 9.7%, respectively, by December 31, 2014, 2015 and 2016.

(5) Provision coverage ratio = provision for impairment losses on loans / total non-performing loans and advances.

(6) Provision to total loan ratio = provision for impairment losses on loans / total loans and advances to customers.

(7) In accordance with the relevant regulatory requirements, as a non-systematically important bank in China, we have until December 31, 2016 to meet a minimum provision to total loan ratio of 2.5%.

(8) We report provision to total loan ratio on a quarterly basis. As of September 30, 2017, our provision to total loan ratio was 3.74%, which complied with the regulatory requirement.

(9) Calculated by dividing total loans and advances to customers by total customer deposits. The loan to deposit ratio is no longer a regulatory ratio for PRC commercial banks under the amended PRC Commercial Banking Law, which became effective on October 1, 2015.

Our provision coverage ratio decreased from 448.83% as of December 31, 2014 to 150.94% as of December 31, 2015, primarily because of a RMB1,391.8 million increase in new non-performing loans due to a slowdown in China's economic growth. We made provisions for loan impairment losses in accordance with IAS 39 and the Guidelines on Bank Loan Loss Allowances (《銀行貸款損失準備計提指引》) and had a provision coverage ratio above the minimum regulatory requirements in 2015. Accordingly, we believe we made sufficient provisions to cover the increase in non-performing loans in 2015.

OFFERING STATISTICS IN THIS PROSPECTUS

The statistics in the following table are based on the assumptions that (i) the Global Offering is completed and 2,212,000,000 H Shares are newly issued in the Global Offering, (ii) the Over-allotment Option for the Global Offering is not exercised, and (iii) 9,737,991,330 Shares are issued and outstanding following the completion of the Global Offering:

	Based on an Offer Price of HK$2.61	Based on an Offer Price of HK$2.77
Market capitalization of our Shares	HK$25,416.2 million	HK$26,974.2 million
Unaudited pro forma adjusted consolidated net tangible assets per share(1)	RMB2.05 (HK$2.44(2))	RMB2.08 (HK$2.47(2))

Notes:

(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 the adjustments referred to in "Appendix III—Unaudited Pro Forma Financial Information".

(2) The estimated net proceeds from the Global Offering are translated into Renminbi at the rate of RMB0.8415 to HK$1.00, the exchange rate set by the PBoC prevailing on December 22, 2017. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi at that rate or at any other rate.

COMPLIANCE WITH CBRC NOTICE ON SHARE PLEDGES BY SHAREHOLDERS

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

- a shareholder who pledges his equity interest shall notify the board of the bank in advance; in addition, where a shareholder who has a seat on the board of directors or the board of supervisors, or directly, indirectly or jointly holds or controls more than 2% of share capital or voting rights in the bank, pledges his equity interests in the bank, he shall make a filing to the board of directors of the bank prior to making the pledge;

- upon the registration of pledge of equity interests, relevant shareholders shall provide the bank with the information with respect to the pledge of equity interests in a timely manner; and

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

We formulated the Administrative Measures of Equity of Bank of Gansu (《甘肅銀行股權管理辦法》) (the "Administrative Measures of Equity"), which incorporated the Relevant Clauses and were approved by the Shareholders at a general meeting in November 2014. We also amended our Articles of Association to include the Relevant Clauses, which were approved by the Shareholders at a general meeting held on June 1, 2017 and approved by the CBRC Gansu Office on August 15, 2017. Our Domestic Shareholders shall comply with the Relevant Clauses from August 15, 2017 and our H Shareholders shall comply with the Relevant Clauses upon Listing.

Grandall Law Firm (Shanghai), our PRC legal adviser, is of the view that the probability that we will be subject to penalties because of our failure to add the Relevant Clauses to the Articles of Association in a timely manner is remote, primarily because:

(a) the Notice does not stipulate when a PRC commercial bank must incorporate the Relevant Clauses into its articles of association;

(b) we have formulated the Administrative Measures of Equity, which incorporated the Relevant Clauses. We have also amended the Articles of Association to include the Relevant Clauses; and

(c) the Notice does not stipulate penalties for failure to add the Relevant Clauses to the Articles of Association.

For details of voting restrictions including how to make such notifications or filings, please refer to the "Supervision and Regulation—Ownership and Shareholder Restrictions—Restrictions on Shareholders" from pages 108 to 109 of this prospectus.

Please also see the section headed "Risk Factors—Risks relating to the PRC Banking Industry—Ownership restrictions under PRC laws may adversely affect the value of your investment" from pages 45 to 46 of this prospectus.

BUSINESS ACTIVITIES INVOLVING SANCTIONED COUNTRIES

The United States has imposed sanctions against Cuba, Iran, North Korea, Sudan, Syria, and the Crimea region of Ukraine (the "**Sanctioned Countries**") as well as individual persons and entities on lists of designated parties. To varying extents, the European Union, Australia, and the United Nations also maintain certain sanctions.

We provide Renminbi settlement services to PRC merchants that we believe sell daily necessities and commercial, off-the-shelf electronic devices to Iranian companies. In connection with these settlement services, we maintain RMB and Euro ("**EUR**") accounts for fifteen Iranian banks. Our Directors believe that our existing and future settlement transactions involving Iran will not render us unsuitable for listing on the Hong Kong Stock Exchange. See "Business—Business Activities Involving Sanctioned Countries" from page 176 to page 179 for details.

Based on the advice from our legal advisers, our Directors believe that our settlement transactions involving Iran are not likely to present material sanctions risks to our Shareholders or potential investors merely as a result of holding our Shares or investing in us, or to the Hong Kong Stock Exchange, the HKSCC and the HKSCC Nominees merely as a result of listing our H Shares or providing services in relation to such listing.

As the United States, the E.U., Australia, and the U.N. retain substantial discretion in enforcing and expanding the scope of sanctions, they may impose economic sanctions on us for our settlement transactions involving Iran if we violate such sanctions. In addition, we have made certain sanctions-related undertakings to the Hong Kong Stock Exchange, who may delist our H Shares if we breach any of our undertakings.

Although we have adopted various internal control measures to manage exposure to sanctions risks, we cannot assure you that these measures will be adequate and effective. Any of these factors could materially and adversely affect our business, prospects, financial condition and results of operations. See "Risk Factors—Risks Relating to Our Business—Our business and financial condition may be materially adversely affected by economic sanctions against Iran" from page 38 to page 39 for details.

DIVIDEND

We declared and distributed cash dividends of nil, RMB602.1 million and nil for the years ended December 31, 2014, 2015 and 2016, respectively. Since January 1, 2017 and up to the Latest Practicable Date, we have not declared or distributed any dividend or determined any dividend payout ratio. Both our Domestic Shareholders and H Shareholders are entitled to our accumulated retained earnings prior to the Global Offering. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee the time, conditions, ways or scale of future dividend payments.

INFORMATION ON SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, Gansu Highway Aviation Tourism directly held approximately 15.38% of the Shares and Baoshang Bank directly held approximately 11.23% of the Shares. Gansu State-owned Assets Investment directly held approximately 4.77% of the Shares, and indirectly held approximately 16.85% of the Shares through its subsidiaries, including Gansu Electric Power Investment and Jinchuan Group.

Immediately following the Global Offering, assuming that the Over-allotment Option is not exercised, Gansu Highway Aviation Tourism will directly hold approximately 11.88% of the Shares (or approximately 11.49%, assuming the Over-allotment Option is fully exercised). Gansu State-owed Assets Investment will directly hold approximately 3.69% of the Shares (or approximately 3.57%, assuming the Over-allotment Option is fully exercised), and indirectly hold approximately 13.02% of the Shares (or approximately 12.59%, assuming the Over-allotment Option is fully exercised) through its subsidiaries, including Gansu Electric Power Investment and Jinchuan Group.

See the section headed "Substantial Shareholders" from pages 255 to 257 in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK$2.69 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus) and that the Over-allotment Option is not exercised, we estimate that we will receive net proceeds of approximately HK$5,695.6 million from the Global Offering (after deduction of underwriting commissions and expenses borne by us in relation to the Global Offering). We intend to use the net proceeds that we will receive from the Global Offering to strengthen our capital base to support the ongoing growth of our business. For more details on our plans of using the proceeds of the Global Offering, please refer to the section entitled "Future Plans and Use of Proceeds" of this prospectus.

RECENT DEVELOPMENTS

Recently, PRC economic growth has continued to slow down and the PRC equity markets have been volatile. Further slowdown in the growth of the PRC economy may cause difficulties in the operations of our clients, which may affect the quality of our loan portfolio. For details of the relevant risk, see "Risk Factors—Risks relating to the PRC—Our business could be materially and adversely affected by changes in economic, political and social conditions in the PRC, as well as by changes in policies adopted by the PRC government" on page 49 of this prospectus.

Our business has continued to grow since June 30, 2017. Total loans and advances to customers increased, primarily driven by the growth of our corporate and retail banking businesses. We also adjust our asset portfolio from time to time based on investment considerations, market conditions and other factors. For example, we entered into more resale transactions and as a result, financial assets held under resale agreements increased as of September 30, 2017 as compared to June 30, 2017. Investment securities and other financial assets as of September 30, 2017 increased as compared to June 30, 2017, primarily due to our increased investment in debt securities. Deposits with banks and other financial institutions as of September 30, 2017 decreased as compared to June 30, 2017, primarily because certain interbank deposits reached maturity.

In August 2017, we issued three-year "three rurals" financial bonds with an aggregate principal amount of RMB1,500 million at an annual interest rate of 4.85%.

In December 2017, our Lanzhou New District branch entered into a letter of intent with Lanzhou New Area Finance Investment Holding Co., Ltd for the formation of a technology innovation development industry fund of approximately RMB5.0 billion and a letter of intent with Lanzhou New Area Science & Technology Culture Tourism Group Co., Ltd for the formation of a technology, culture and tourism industry fund of approximately RMB600.0 million. Both funds are to be managed by Lanzhou New Area Fund Management Co., Ltd. As of the Latest Practicable Date, we had not entered into any formal agreement regarding the formation of the two funds.

Our Directors have confirmed that, since June 30, 2017 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position.

RISK FACTORS

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

The major risks relating to an investment in our Shares are as follows: (i) we may not be able to satisfy regulatory requirements on capital adequacy; (ii) 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; (iii) our provision for impairment losses may be insufficient to cover the actual losses on our asset portfolio. Our provision for impairment losses for loans, investment securities and other financial assets may also fluctuate, impacting our financial condition and results of operations; (iv) we are subject to concentration risks from credit exposure to certain industries, borrowers and regions; (v) we are exposed to credit risks arising from loans granted to small and micro enterprises; (vi) our investment business could be affected by adverse developments that could materially and adversely affect our profitability and liquidity; (vii) interest rate liberalization may materially and adversely affect our results of operations; and (viii) our business and financial condition may be materially adversely affected by economic sanctions against Iran.

For details of the risk factors relating to the investment in us, please see “Risk Factors” starting from page 28 of this prospectus.

LISTING EXPENSES

The estimated total listing expenses in relation to the Global Offering are approximately RMB214.3 million, consisting of approximately RMB196.8 million that is directly attributable to the issue of new H Shares to the public and accounted for as a deduction from equity, approximately RMB0.9 million that was deducted from our comprehensive income statement for the six months ended June 30, 2017, and RMB16.6 million to be deducted from our comprehensive income statement after June 30, 2017. Our Directors do not expect these expenses to materially impact our results of operations for the year ending December 31, 2017.

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

"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application forms or, where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of the Bank, the version of which was considered and approved by Shareholders of the Bank at the general meeting of 2016 held on June 1, 2017 and was approved by the CBRC Gansu Office on August 15, 2017, which will become effective after the Listing, and may be amended, supplemented or otherwise modified from time to time
"ATM"	automatic teller machine
"Baiyin City Commercial Bank"	the former Baiyin City Commercial Bank Co., Ltd. (白銀市商業銀行股份有限公司). In May 2011, 25 legal entities, all the shareholders of Baiyin City Commercial Bank and all the shareholders of Pingliang City Commercial Bank jointly promoted and incorporated the Bank
"Bank", "our Bank"	Bank of Gansu Co., Ltd. (甘肅銀行股份有限公司), a joint stock company incorporated in Gansu province, the PRC on November 18, 2011 with limited liability in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
"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
"Baoshang Bank"	Baoshang Bank Co., Ltd. (包商銀行股份有限公司), a city commercial bank incorporated in the PRC on December 16, 1998, of which Baotou Taiping Business Group Co., Ltd. (包頭市太平商貿集團有限公司) is its largest shareholder, holding 9.07% of its equity interests. As of the Latest Practicable Date, Baoshang Bank held approximately 11.23% of the Shares and will hold approximately 8.68% of the Shares immediately following the Global Offering assuming the Over-allotment Option is not exercised
"Basel I"	the 1988 Basel Capital Accord

"Basel II"	the Revised Basel Capital Framework promulgated in June 2004
"Basel III"	the Revised Basel Capital Accord promulgated in December 2010
"Basel Committee"	the Basel Committee on Banking Supervision
"Board of Directors", "Board"	the board of Directors of the Bank, as described in "Appendix V—Summary of Articles of Association" of this prospectus
"Board of Supervisors"	the board of Supervisors of the Bank, as described in "Appendix V—Summary of Articles of Association" of this prospectus
"building ownership certificates"	building ownership certificates in the PRC (中華人民共和國房屋所有權證)
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public
"CAGR"	compound annual growth rate
"Capital Adequacy Ratio Measures"	the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks (《商業銀行資本充足率管理辦法》) promulgated by the CBRC on February 23, 2004 and effective as of March 1, 2004 and amended on July 3, 2007, which were later abolished by the Capital Administrative Measures on January 1, 2013
"Capital Administrative Measures"	the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) promulgated by the CBRC on June 7, 2012 and effective on January 1, 2013
"CBRC"	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CBRC Gansu Office"	the China Banking Regulatory Commission Gansu Office (中國銀行業監督管理委員會甘肅監管局)
"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
"CIRC"	the China Insurance Regulatory Commission (中國保險監督管理委員會)
"city commercial banks"	city commercial banks approved by the CBRC and other regulatory authorities to be incorporated under the PRC Company Law and the PRC Commercial Banking Law with branches set up at municipal level or above
"Classification Standards of Small and Medium Enterprises"	the Classification Standards of Small and Medium Enterprises (《中小企業劃型標準規定》) jointly promulgated by the MIIT, NBS, NDRC and MOF on June 18, 2011
"commercial banks"	all the banking institutions in the PRC other than policy banks, including large commercial banks, national joint-stock commercial banks, city commercial banks and urban credit cooperatives, rural cooperative financial institutions, foreign-owned banks and other banking institutions
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the same meaning ascribed to it under Chapter 14A of the Listing Rules
"Core Indicators (Provisional)"	the Core Indicators for Risk Supervision of Commercial Banks (Provisional) (《商業銀行風險監管核心指標(試行)》) promulgated by the CBRC on December 31, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
"Corporate Governance Guidelines"	the Guidelines on Corporate Governance of Commercial Banks (《商業銀行公司治理指引》) promulgated by the CBRC on July 19, 2013 and effective on the same date, as amended, supplemented or otherwise modified from time to time

"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"deposit deviation ratio"	deposits on the last day of each month minus the average daily deposits for the month, divided by the average daily deposit for the month, and then multiplied by 100%
"Director(s)"	director(s) of the Bank
"Domestic Shares"	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
"Equator Principles"	an internationally-recognized benchmark for identifying, assessing and managing environmental and social risk in bank financed projects
"Gansu Electric Power Investment"	Gansu Province Electric Power Investment Group Co., Ltd. (甘肅省電力投資集團有限責任公司), a company incorporated in the PRC on July 15, 1990, and a wholly-owned subsidiary of Gansu State-owned Assets Investment. As of the Latest Practicable Date, Gansu Electric Power Investment held approximately 8.42% of the Shares
"Gansu Highway Aviation Tourism"	Gansu Province Highway Aviation Tourism Investment Group Co., Ltd (甘肅省公路航空旅遊投資集團有限公司), a company incorporated in the PRC on December 24, 1999 and a wholly-owned subsidiary of the Department of Transportation of Gansu Province (甘肅省交通運輸廳). As of the Latest Practicable Date, Gansu Highway Aviation Tourism held approximately 15.38% of the Shares and will hold approximately 11.88% of the Shares immediately following the Global Offering assuming the Over-allotment Option is not exercised. It is a substantial Shareholder and connected person of the Bank
"Gansu SASAC"	the State-owned Assets Supervision and Administration Commission of the Gansu Provincial Government (甘肅省人民政府國有資產監督管理委員會)
"Gansu Shares Exchange (甘肅股權交易中心)"	a platform established by the Gansu government to facilitate equity and debt financing transactions and equity transfers in Gansu province
"Gansu State-owned Assets Investment"	Gansu Province State-owned Assets Investment Group Co., Ltd. (甘肅省國有資產投資集團有限公司), a company incorporated in the PRC on November 23, 2007, and 83.54% owned by Gansu SASAC and 16.46% by Jiuquan Iron & Steel. As of the Latest Practicable Date, it directly

	held approximately 4.77% of the Shares, and indirectly held approximately 16.85% of the Shares through its subsidiaries, including Gansu Electric Power Investment and Jinchuan Group. It will directly hold approximately 3.69% of the Shares, and indirectly hold approximately 13.02% of the Shares through its subsidiaries, including Gansu Electric Power Investment and Jinchuan Group immediately following the Global Offering assuming the Over-allotment Option is not exercised. It is a substantial Shareholder and connected person of the Bank
"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
"GRC system"	Governance, Risk and Compliance Management system
"green finance"	economic activities supporting environmental improvements, climate change, conservation and high efficiency utilization of resources, including financial services for project investment, financing, operation and risk management in environmental protection, energy conservation, clean energy, green transportation and green architecture
"GYROSCOPE"	governance, yield sustainability, risk control, operational management, service quality, competitiveness, organizational intellect, personal competence and equity funding
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Share(s)"	ordinary shares to be issued by the Bank in Hong Kong pursuant to the Global Offering, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed and traded on the Hong Kong Stock Exchange
"HK\$", "HKD" or "HK dollars"	Hong Kong Dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKIAC"	the Hong Kong International Arbitration Centre

"HKMA"	the Hong Kong Monetary Authority
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	221,200,000 H Shares (subject to adjustment) offered in the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares (subject to adjustment) by the public in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering—The Hong Kong Public Offering"
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters listed in the section headed "Underwriting—Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement relating to the Hong Kong Public Offering entered into among the Bank and Hong Kong Underwriters (as detailed in the section headed "Underwriting—Hong Kong Underwriters") on December 29, 2017
"IFRS"	International Financial Reporting Standards, International Accounting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
"independent third party"	a person or entity not considered a connected person or associate of a connected person of the Bank under the Listing Rules
"International Offer Shares"	1,990,800,000 H Shares initially offered by the Bank pursuant to the International Offering together, where relevant, with any additional H Shares that may be issued or sold pursuant to any exercise of Over-allotment Option, subject to adjustment as described in the section headed "Structure of the Global Offering"
"International Offering"	conditional placement by the International Underwriters of the International Offer Shares. The International Offering

	will be made outside the United States in offshore transactions in accordance with Regulation S or other exemptions from the registration requirement of the U.S. Securities Act
"International Underwriters"	the underwriters of the International Offering who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering, expected to be entered into on or about the Price Determination Date, among the International Underwriters and the Bank
"Jinchuan Group"	Jinchuan Group Co., Ltd. (金川集團股份有限公司), a company incorporated in the PRC on September 28, 2001, of which Gansu State-owned Assets Investments is its largest shareholder, holding 48.67% of its equity interests. As of the Latest Practicable Date, Jinchuan Group held approximately 8.42% of the Shares
"Jingning Chengji Rural Bank"	Pingliang Jingning Chengji Rural Bank Co., Ltd., a joint stock company with limited liability incorporated in the PRC on September 18, 2008 and a subsidiary of the Bank. As of the Latest Practicable Date, the Bank held 62.73% shares of Jingning Chengji Rural Bank, with the remaining 37.27% held by other 41 shareholders
"Jiuquan Iron & Steel"	Jiuquan Iron & Steel (Group) Co., Ltd. (酒泉鋼鐵（集團）有限責任公司), a company incorporated in the PRC on May 26, 1998, and 68.09% owned by Gansu SASAC and 31.91% by Gansu State-owned Assets Investment. As of the Latest Practicable Date, Jiuquan Iron & Steel held approximately 8.42% of the Shares
"Joint Bookrunners"	CMB International Capital Limited, CCB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited, BOCI Asia Limited, Haitong International Securities Company Limited, ABCI Capital Limited, ICBC International Capital Limited and China Silk Road International Capital Limited
"Joint Global Coordinators"	CMB International Capital Limited, CCB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited, BOCI Asia Limited and Haitong International Securities Company Limited

"Joint Lead Managers"	CMB International Capital Limited, CCB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited, BOCI Asia Limited, Haitong International Securities Company Limited, ABCI Securities Company Limited, ICBC International Securities Limited and China Silk Road International Capital Limited
"Joint Representatives"	CMB International Capital Limited, CCB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited and BOCI Asia Limited
"Joint Sponsors"	CMB International Capital Limited, CCB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, Guotai Junan Capital Limited and BOCI Asia Limited
"land use right certificate"	land use right certificate in the PRC
"large commercial banks"	Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited, China Construction Bank Corporation, Bank of Communications Co., Ltd., and their respective predecessors, collectively
"large enterprises"	enterprises other than those classified as medium, small or micro enterprises under the Classification Standards of Small and Medium Enterprises
"Latest Practicable Date"	December 22, 2017, the latest practicable date for ascertaining certain information in this prospectus before its publication
"Listing"	the listing of our H Shares on the Hong Kong Stock Exchange
"Listing Date"	the date on which dealing in the H Shares first commences on the Hong Kong Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (香港聯合交易所有限公司證券上市規則), as amended, supplemented or otherwise modified from time to time
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》), promulgated by the former Securities Commission of the State Council and the former State

	Commission for Restructuring the Economic System on August 27, 1994, effective on the same date, as amended, supplemented or otherwise modified from time to time
"medium enterprises"	enterprises classified as medium-sized enterprises under the Classification Standards of Small and Medium Enterprises
"micro enterprises"	enterprises classified as micro-sized enterprises under the Classification Standards of Small and Medium 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)
"NAFMII"	the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會)
"NAO"	the National Audit Office of the PRC (中華人民共和國審計署)
"national joint-stock commercial banks"	China CITIC Bank Corporation Limited, China Everbright Bank Co., Ltd., Huaxia Bank Co., Limited, China Guangfa Bank Co., Ltd., PingAn Bank Co., Ltd. (formerly named Shenzhen Development Bank Co., Ltd.), China Merchants Bank Co., Ltd., Shanghai Pudong Development Bank Co., Ltd., Industrial Bank Co., Ltd., China Minsheng Banking Corp., Ltd., HengFeng Bank Co., Ltd., China Zheshang Bank Co., Ltd. and China Bohai Bank Co., Ltd., collectively
"NBSC"	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-standard credit assets"	credit assets that are not traded on the interbank markets or stock exchanges, which for the purpose of this prospectus represents our investments in trust plans, asset management plans and wealth management products issued by other financial institutions
"Northwest China"	Shaanxi province, Gansu province, Qinghai province, Xinjiang Uygur Autonomous Region and Ningxia Hui Autonomous Region
"NPL ratio" or "non-performing loan ratio"	the percentage ratio calculated by dividing non-performing loans by total loans

"NPLs" or "non-performing loans"	loans classified as substandard, doubtful and loss according to the five-category loan classification system of the Bank
"Offer Price"	the final Hong Kong dollar offer price per H Share (exclusive of any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) at which the H Shares are to be subscribed and issued pursuant to the Global Offering, to be determined as described in the section headed "Structure of the Global Offering"
"Offer Share(s)"	the H Shares offered in the Global Offering and (if relevant) any additional H Shares issued and sold pursuant to the exercise of Over-allotment Option
"Over-allotment Option"	the option to be granted by the Bank to the International Underwriters exercisable by the Joint Representatives (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, details of which are described in the section headed "Underwriting—The International Offering"
"PBoC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Pingliang City Commercial Bank"	the former Pingliang City Commercial Bank Co., Ltd. (平涼市商業銀行股份有限公司). In May 2011, 25 legal entities, all the shareholders of Baiyin City Commercial Bank and all the shareholders of Pingliang City Commercial Bank jointly promoted and incorporated the Bank
"PRC" or "China"	the People's Republic of China, but for the purpose of this prospectus only, excluding Hong Kong, Macau and Taiwan, unless otherwise specified in the context
"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 meeting of the Standing Committee of the 10th National People's Congress on December 27, 2003 and became effective on February 1, 2004, as amended, supplemented or otherwise modified from time to time
"PRC Commercial Banking Law"	the Commercial Banking Law of the PRC (《中華人民共和國商業銀行法》), which was promulgated by the 13th meeting of the Standing Committee of the 8th National People's Congress on May 10, 1995 and became effective on July 1, 1995, as amended, supplemented or otherwise modified from time to time

"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended and adopted by the Standing Committee of the 10th 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 for Business Enterprises (中國企業會計準則) promulgated by MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
"PRC PBoC Law"	the Law of the People's Bank of China of the PRC (《中華人民共和國中國人民銀行法》), as enacted by the 3rd meeting of the Standing Committee of the 8th National People's Congress on March 18, 1995, became effective on the same date, as amended, supplemented or otherwise modified from time to time
"Price Determination Date"	the date, expected to be on or about January 11, 2018, on which the Offer Price is to be agreed between the Bank and the Joint Representatives (on behalf of the Underwriters) for the purpose of the Global Offering
"provincial city commercial bank(s)"	local city commercial bank(s), whose establishment was promoted by the provincial government
"real property right certificate"	real property right certificate in the PRC
"Regulation S"	Regulation S under the U.S. Securities Act
"related party" or "related parties"	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders (《商業銀行與內部人和股東關聯交易管理辦法》) promulgated by the CBRC, the PRC GAAP and/or IFRS
"related party transaction(s)"	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders promulgated by the CBRC, the PRC GAAP and/or IFRS
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)

"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of the Shares
"Shares"	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each
"SHIBOR"	Shanghai Interbank Offered Rate, a daily reference rate published by the National Interbank Funding Center
"small enterprises"	small-sized enterprises classified under the Classification Standards of Small and Medium Enterprises
"SME(s)"	enterprises classified as micro enterprises, small enterprises and medium enterprises under the Classification Standards of Small and Medium Enterprises based on indicators including the number of practitioners, operating income and total assets. For example, industrial enterprises with fewer than 1,000 practitioners or operating income of less than RMB400 million shall be classified as SMEs
"SOE(s)"	state-owned enterprise(s)
"Special Regulations"	the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》), promulgated by the State Council on August 4, 1994, as amended, supplemented or otherwise modified from time to time
"Stabilizing Manager"	Guotai Junan Securities (Hong Kong) Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Bank

"systematically important bank(s)"	PRC commercial bank(s) with total assets of over RMB1,600 billion or named as a global systematically important bank(s) by the Financial Stability Board, an international body established in April 2009 to monitor and make recommendations about the global financial system, based on indicators established by the Basel Committee
"three rurals"	rural areas, agriculture and farmers
"Track Record Period"	the period comprising the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017
"U.N."	United Nations
"Underwriter(s)"	the Hong Kong Underwriters and the International Underwriters, collectively
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement, collectively
"United States" or "U.S."	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
"US$", "USD" or "U.S. dollar(s)"	U.S. dollars, the lawful currency of the United States of America
"we", "us", "our", "Group" or "our Group"	the Bank and its subsidiary 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 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

In this prospectus:

- *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 "associate(s)", "close associate(s)", "connected person(s)", "connected transaction(s)", "core connected person(s)" and "substantial shareholder(s)" have the meanings given to such terms in the Listing Rules.*
- *for the ease of reference, in this prospectus, unless otherwise indicated, the terms "gross loans and advances to customers", "loans" and "grant of loans" are used synonymously.*
- *if there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of, assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative forms of these words and other similar expressions, as they relate to our Bank or our management, are intended to identify forward-looking statements.

Such statements reflect the current views of our Bank’s management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Bank which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

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

Other than complying with 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 all or part of your investment. We are a PRC company and are governed by a legal and regulatory environment that may differ significantly from that of other countries or regions. For more information concerning the legal and regulatory environment of the PRC and certain related matters discussed below, see the section headed "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

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

We are subject to capital adequacy requirements set by the CBRC. The Capital Administrative Measures (《資本管理辦法》) stipulate that commercial banks must meet regulatory requirements on capital adequacy ratios required by the Measures by the end of 2018. Under the Measures, the core tier-one capital adequacy ratio shall not be lower than 5%, the tier-one capital adequacy ratio shall not be lower than 6% and the capital adequacy ratio shall not be lower than 8%. As of June 30, 2017, we maintained a core tier-one capital adequacy ratio of 8.55%, a tier-one capital adequacy ratio of 8.55% and a capital adequacy ratio of 11.49%.

On November 30, 2012, the CBRC issued the Notice Regarding the Arrangement of Transition Period of Implementation of the Administrative Measures for the Capital of Commercial Banks (Provisional) (《關於實施<商業銀行資本管理辦法(試行)>過渡期安排相關事項的通知》). The notice stipulates that PRC commercial banks must meet capital adequacy requirements for certain periods from January 1, 2013 to the end of 2018.

In addition to minimum capital adequacy requirements, the CBRC requires that commercial banks calculate and set aside a capital reservation buffer until it reaches 2.5% of risk-weighted assets. In certain circumstances, commercial banks must also calculate and set aside a counter cyclical capital buffer of 0% to 2.5% of risk-weighted assets.

Our ability to satisfy capital adequacy requirements could be adversely affected by the deterioration in our financial condition or asset quality. If our capital needs exceed the capital we can generate internally or raise from capital markets, we may need to raise additional funds from alternative sources. However, we may not be able to raise additional funds on commercially acceptable terms in a timely manner, or at all. Our ability to raise additional funds is subject to various factors, including our financial condition, results of operations, cash flows and prospects, as well as PRC legal requirements, regulatory approvals, general market conditions and domestic and overseas economic, political and other conditions. These factors could also increase our capital costs.

Capital adequacy requirements may limit our use of leverage to increase our loans, which could materially and adversely affect our results of operations and limit our ability to develop business. The CBRC may further amend the capital adequacy requirements, which could significantly affect the amount we are able to lend and our cost of funding.

Any failure to comply with the capital adequacy requirements could lead to regulatory restrictions by the CBRC, including restrictions on lending, investing, increasing loans and other assets, conducting new business and declaring and distributing dividends. Any such regulatory restrictions could materially and adversely affect our business, financial condition and results of operations.

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, financial condition and results of operations depend on our ability to effectively maintain and improve the quality of our loan portfolio. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our loans and advances to customers were RMB56,495.5 million, RMB90,626.7 million, RMB107,855.1 million and RMB118,169.9 million, respectively. As of the same dates, our non-performing loan ratio was 0.39%, 1.77%, 1.81% and 1.63%, respectively.

The quality of our existing or future loans to customers could deteriorate. Deterioration of our loan portfolio may occur due to a variety of reasons, including factors beyond our control. These factors include a slowdown of the PRC and Gansu economies, adverse macroeconomic developments in the PRC and other regions of the world, outbreaks of diseases or natural disasters or other events.

These factors may cause operational, financial and liquidity problems for borrowers and may materially and adversely affect their ability to service outstanding debts. Any deterioration in our asset quality may lead to increases in our non-performing loans, provisions for impairment losses and loans written off due to impairment, all of which may materially and adversely affect our business, financial condition and results of operations.

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

As of June 30, 2017, 91.2% of our loans and advances to customers were secured by collateral, pledges or guarantees. The value of the collateral and pledges securing our loans and advances may fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting the PRC and Gansu economies, outbreaks of diseases, natural disasters or other events.

The growth of the real estate industry and the price of real property in the PRC are significantly affected by macroeconomic policies of the PRC government. A change in these policies or a slowdown of the PRC economy could lead to a downturn in the PRC real estate industry. Such a downturn could decrease the value of the collateral securing our loans to levels below the outstanding principal amounts of these loans.

In addition, we cannot assure you that our valuations of collateral or pledges will be accurate. If our collateral or pledges are insufficient, we may have to obtain additional collateral and pledges from borrowers. Declines in the price of our collateral and pledges or our inability to obtain additional collateral from borrowers may materially and adversely affect our business, financial condition and results of operations.

In the PRC, the procedures for liquidating or otherwise realizing the value of non-cash collateral and pledges may be difficult and time-consuming. In addition, we may not be able to fully realize the value of collateral and pledges and other rights may be senior to our rights to the collateral and pledges securing our loans. The foregoing factors could adversely affect the value of collateral and pledges.

As of June 30, 2017, 40.9% of our loans and advances to customers were guaranteed loans. Our guaranteed loans are generally not secured by collateral, pledges or other security interests. In addition, some of the guarantees are provided by affiliates of the relevant borrowers.

As a result, certain factors which result in a borrower's inability to repay a guaranteed loan may also affect the guarantor's ability to fully perform its guarantee obligations, and therefore, expose us to additional risks. If borrowers are unable to perform their payment obligations and if the financial condition of the guarantors deteriorates, the amounts we may recover under such guarantees may decrease significantly.

In addition, a court or any other judicial or government authority may declare a guarantee invalid or decline to enforce such guarantee if, among other things, (i) the guarantor providing the guarantee lacks capacity or proper authorization to do so, or (ii) the guarantee violates applicable laws and regulations, or damages national or public interests. Therefore, we may not be able to recover all or part of our guaranteed loans. If we are unable to dispose of assets of borrowers and guarantors or if the guarantors fail to perform their guarantee obligations in full and in a timely manner, our business, financial condition and results of operations may be materially and adversely affected.

As of June 30, 2017, 8.8% of our loans and advances to customers were unsecured. We grant these unsecured loans mainly based on our credit assessment of the borrowers. We cannot assure you that our credit assessments will be accurate at all times, or that the borrowers under unsecured loans will repay their loans in full and on time. As we only have general claims on the assets of defaulting borrowers under unsecured loans, we are exposed to a relatively high risk of losing the entire amounts outstanding under such loans, which may materially and adversely affect our business, financial condition and results of operations.

Our provision for impairment losses may be insufficient to cover the actual losses on our asset portfolio. Our provision for impairment losses for loans, investment securities and other financial assets may also fluctuate, impacting our financial condition and results of operations.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, our provision for impairment losses on loans and advances to customers was RMB977.2 million, RMB2,419.8 million, RMB3,756.0 million and RMB4,247.6 million, respectively. As of the same dates, our provision coverage ratio was 448.8%, 150.9%, 192.7% and 220.3%, and our provision-to-loan ratio was 1.73%, 2.67%, 3.48% and 3.59%, in each case respectively. As of December 31, 2014, 2015 and 2016 and June 30, 2017 our provision for impairment losses on debt securities classified as receivables was RMB484.0 million, RMB717.5 million, RMB1,879.5 million and RMB1,879.5 million, respectively.

We calculate the provision for impairment losses for loans, debt securities and other assets based on various factors affecting the quality of our asset portfolio. These factors include the relevant borrower's or issuer's operational and financial condition, repayment ability and willingness to repay, the realizable value of any collateral and the ability of guarantors to fulfill their obligations, as well as China's economic, legal and regulatory environment. Many of these factors are beyond our control, and our assessments and expectations with respect to these factors may differ from future developments.

Our provision for impairment losses may also fluctuate due to changes in the amount of loans, investment securities and other financial assets that we hold on our balance sheet. As of December 31, 2014, 2015 and 2016 and June 30, 2017, loans and advances to customers were RMB56,495.5 million, RMB90,626.7 million, RMB107,855.1 million and RMB118,169.9 million, respectively. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our investment securities and other financial assets were RMB62,011.4 million, RMB70,846.4 million, RMB87,116.2 million and RMB65,221.6 million, respectively.

We adjust the scale of our loans, and purchase and sell investment securities and other financial assets based on market conditions and other factors, including the interest rate, yield, maturity, risk and liquidity of these loans and investments and other considerations. Changes in the amount of our loans, investment securities and other financial assets could result in fluctuations in impairment losses, which will impact our financial condition and results of operations.

In addition, our provision for impairment losses may increase as a result of changes in regulatory and accounting policies, deviations in loan classifications or a more conservative provisioning strategy. Any of these factors could significantly decrease our profits and materially and adversely affect our business, prospects, financial condition and results of operations.

If we are unable to maintain the growth of customer deposits or if customer deposits significantly decrease, our liquidity, financial condition and results of operations may be materially and adversely affected.

Customer deposits constitute our primary source of funding. We rely on deposits from customers to grow our loan business and meet other liquidity needs. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our deposits from customers amounted to RMB110,541.6 million, RMB141,020.6 million, RMB171,165.3 million and RMB186,931.5 million, representing 71.6%, 70.6%, 73.9% and 73.6% of our total liabilities, respectively.

However, the growth of customer deposits may be affected by many factors beyond our control. These factors include economic and political conditions, monetary policies, competition, the availability of alternative investment options and retail customers' perceptions towards savings.

If we are unable to maintain the growth rate of customer deposits, or if as substantial portion of customers withdraws demand deposits or does not roll over time deposits upon maturity, we may seek funding from alternative sources, which may not be available on reasonable terms or at all. If we cannot obtain alternative funding on reasonable terms, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to concentration risks from credit exposure to certain industries, borrowers and regions.

As of June 30, 2017, approximately 17.9%, 16.8%, 16.4%, 12.8% and 10.9% of our corporate loans were concentrated in the wholesale and retail; manufacturing; agriculture, forestry, animal husbandry and fishery; construction; and real estate industries, respectively. A prolonged downturn in any of these industries could undermine the quality of our existing loans and our ability to extend new loans, which could materially and adversely affect our business, financial condition and results of operations.

We offer loans to village and township residents and borrowers in the agriculture industry or in rural areas. As a result, we are exposed to risks inherent to agricultural production, such as low production efficiency, long production cycles, vulnerability to natural disasters and lack of insurance coverage for catastrophic events. These factors may cause operational, financial and liquidity problems for borrowers of agricultural-related loans and may materially and adversely affect their repayment ability.

As of June 30, 2017, loans to borrowers in the real estate industry and personal residential and commercial mortgage loans accounted for 8.3% and 3.1% of our total loans and advances to customers, respectively. In recent years, the PRC government has imposed macroeconomic control measures aimed at preventing the real estate market from over-heating. See "Supervision and Regulation—Regulations on Principal Commercial Banking Activities—Lending". These measures may adversely affect the value of the collateral securing our residential mortgage loans and the ability of borrowers to repay their loans.

As of June 30, 2017, loans to our ten largest single borrowers totaled RMB7,404.6 million, accounting for 35.9% of our regulatory capital. As of the same date, total credit granted to our ten largest group borrowers amounted to RMB10,299.7 million, accounting for 50.0% of our regulatory capital. Deterioration in the financial condition of these borrowers could materially and adversely affect our business, financial condition and results of operations.

Furthermore, our operations are primarily concentrated in Gansu. As a result, the growth of our business depends heavily on the continued growth of Gansu's economy. GDP growth in the PRC and Gansu province has slowed in recent years. Any adverse change in the economic development of, or any natural disaster or catastrophe occurring in, Gansu province could materially and adversely affect our business, financial condition and results of operations.

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

As of December 31, 2014, 2015 and 2016 and June 30, 2017, our loans to small and micro enterprises amounted to RMB23,858.4 million, RMB37,746.4 million, RMB49,133.9 million and RMB57,005.3 million, representing 48.9%, 52.0%, 57.6% and 63.6% of our total corporate loans, respectively. Compared with medium and large enterprises, small and micro enterprises are generally more vulnerable to macroeconomic fluctuations as they may lack the financial, managerial or other resources necessary to withstand the adverse effects of an economic downturn or changes in the regulatory environment.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the non-performing loan ratio of loans granted to small and micro enterprises was approximately 0.63%, 2.56%, 3.08% and 2.60%, respectively. Our non-performing loans to small and micro enterprises may increase significantly due to economic slowdowns or unfavorable changes in the regulatory environment for small and micro enterprise customers, which may materially and adversely affect our business, financial conditions and results of operations.

We are exposed to risks related to targeted poverty reduction loans.

Since August 2015, we have participated in targeted poverty reduction projects led by the PRC government and offered loans to help poverty-stricken individuals through companies established by local government authorities in Dingxi, Gansu to receive and grant poverty reduction loans. We offer eligible poverty-stricken individuals loans of RMB30,000 to RMB50,000 through our Dingxi branch. We classify these loans as corporate loans under our corporate banking business. Please see “Business—Our Principal Businesses—Corporate Banking—Corporate Loans” for details.

As of December 31, 2015 and 2016 and June 30, 2017, total loans granted for poverty reduction purposes amounted to RMB3,326.0 million, RMB6,594.6 million and RMB6,591.0 million, respectively, representing approximately 4.6%, 7.7% and 7.4% of our total corporate loans, and approximately 3.7%, 6.1% and 5.6% of our total loans and advances to customers, in each case respectively.

As recipients of targeted poverty reduction loans typically have lower incomes and limited repayment abilities, they may not be able to repay all or part of their loans to the companies that receive these loans from us. Although local government authorities in Dingxi have agreed to repay these loans if the borrowers of these loans fail to do so, this undertaking may not be enforceable under PRC law. If borrowers under these loans are unable to perform their payment obligations and local government authorities do not comply with their agreement to repay these loans, our business, results of operations and financial condition could be materially and adversely affected.

We extend loans to local government financing vehicles and deterioration in their repayment capabilities may materially and adversely affect our asset quality, financial condition or results of operations.

Similar to other commercial banks in the PRC, we provide loans to local government financing vehicles. Local government financing vehicles refer to economic entities established by local governments and their departments and institutions through fiscal subsidies or injection of assets, such as land and equity. As of June 30, 2017, our total loans to local government financing vehicles amounted to RMB999.1 million, accounting for 1.1% of our total corporate loans.

Local government financing vehicles typically use loan proceeds to invest in infrastructure or industrial zone construction, renovation of old districts or development of projects for public interest. These vehicles repay us with operating cash flows generated from relevant projects and local financial budgets. Under relevant PRC laws and regulations, local governments are not permitted to guarantee loans to local government financing vehicles.

In addition, many projects sponsored by local government financing vehicles are carried out primarily for public interest purposes and are not necessarily based on commercial feasibility. As a result, the cash flows generated from such projects may not be sufficient to repay the principal and interest on the loans.

The ability of a local government financing vehicle to repay its loans depends on its ability to receive sufficient financial support from the government. Such support may not be adequate due to liquidity restraints, budgeting priorities and other factors.

Recently, due to the higher risks associated with loans to local government financing vehicles, the State Council, the PBoC and the CBRC, along with several other PRC regulatory authorities, promulgated a series of notices, guidelines and other regulatory measures that direct PRC banks and other financial institutions to strengthen their risk management measures regarding loans to local government financing vehicles. See “Supervision and Regulation—Regulations on Principal Commercial Banking Activities—Lending”.

We have adopted measures both on our own initiative and in response to these regulatory directives to control our risk exposure related to local government financing vehicles. See "Risk Management—Credit Risk Management—Credit Risk Management of Corporate Loans—Credit Risk Management for Loans to Local Government Financing Vehicle".

We cannot assure you that the measures taken by us are effective or sufficient to protect us against risks related to defaults by local government financing vehicle borrowers. Downturns in the macroeconomic environment, unfavorable changes in governmental policies, deterioration in the financial condition of local governments and other factors may undermine the repayment abilities of local government financing vehicles, which may in turn materially and adversely affect our asset quality, financial condition and results of operations.

Our investment business could be affected by adverse developments that could materially and adversely affect our profitability and liquidity.

We are exposed to credit and liquidity risks arising from our investments in debt securities and non-standard credit assets. As of December 31, 2014, 2015 and 2016 and June 30, 2017, investment securities and other financial assets totaled RMB62,011.4 million, RMB70,846.4 million, RMB87,116.2 million and RMB65,221.6 million, respectively, representing 37.5%, 33.4%, 35.5% and 24.2% of total assets, respectively. Any material adverse change in the financial condition of the ultimate borrowers underlying our investments could adversely affect our ability to recover principal and interest from these investments.

In 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, income from investments in non-standard credit assets amounted to RMB3,556.4 million, RMB4,294.0 million, RMB4,328.6 million, RMB2,045.3 million and RMB2,340.1 million, respectively, accounting for 98.7%, 95.9%, 92.9%, 92.5% and 90.7% of our total income from investments in the same period, respectively. If we fail to obtain agreed upon returns or recover our principal from these investments, we must generally rely on the parties seeking financing or borrowers to minimize our losses or otherwise rely on issuers or guarantors (if any) to recover losses. In addition, we may not be able to satisfy our short-term liquidity requirements by trading non-standard credit assets due to the relatively low liquidity of such assets.

PRC regulatory authorities do not prohibit commercial banks from investing in non-standard credit assets. However, future regulatory policy changes may prohibit PRC commercial banks (including us) from doing so. In addition, any adverse change in regulatory policies for these investments could reduce the value of our investment portfolio and, as a result, materially and adversely affect our business, financial condition and results of operations.

We are exposed to risks arising from financial assets held under resale agreements.

We enter into reverse repurchase transactions from time to time to manage liquidity and earn returns. As of December 31, 2014, 2015, 2016 and June 30, 2017, financial assets held under resale agreements totaled RMB4,893.9 million, nil, RMB498.1 million and RMB15,749.2 million, respectively.

The counterparties to our reverse repurchase transactions may default on their obligations to repurchase the securities under resale agreements as a result of bankruptcy, lack of liquidity, operational failure or other reasons. As a result, we may suffer losses to the extent we are forced to liquidate our positions in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting counterparties.

PRC regulations impose certain limitations on the products in which we may invest, and our ability to seek higher investment returns and diversify our investment portfolio is limited.

Investment by commercial banks in China is subject to a number of restrictions. The investment assets of PRC commercial banks traditionally consist primarily of bonds issued by MOF, PBoC, PRC policy banks, PRC commercial banks and corporate entities. In recent years, as a result of changes to the regulatory regimes and market conditions, additional investment products have been introduced to the market, such as trust plans, asset management plans, wealth management products issued by financial institutions, investment funds, asset-backed securities and beneficiary certificates.

However, investments in equity products by commercial banks remain 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.

We are exposed to risks associated with wealth management products.

In recent years, we have been actively developing our wealth management business by expanding the volume and range of wealth management products. As of June 30, 2017, the balance of our principal-guaranteed and non-principal guaranteed wealth management products was RMB672.2 million and RMB16,261.8 million, respectively, representing 0.2% and 6.0% of our total assets, respectively.

We invest the proceeds from wealth management products primarily in debt securities, inter-bank deposits, currency market instruments and other fixed-income investment portfolios. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our investments in non-standard credit assets funded through wealth management products amounted to RMB765.1 million, RMB704.0 million, RMB3,383.0 million and RMB3,403.0 million, respectively, accounting for 6.9%, 5.0%, 21.0% and 20.1% of our total wealth management products for the same period, respectively.

We must reimburse clients for losses on the principal amount invested in our principal-protected wealth management products. However, we generally are not liable for losses on investments in non-principal-protected wealth management products. We may eventually bear such losses if investors bring lawsuits against us and prevail against us in court. We may also decide to bear part or all of such losses for reputational or other considerations. Our reputation may be severely damaged and we may suffer a loss of business and customer deposits.

If we fail to identify and fully understand or disclose the risks associated with non-principal-protected wealth management products, we could be subject to lawsuits or regulatory actions. Any such lawsuits or actions could damage our reputation and customer relationships and adversely affect our business, prospects and financial condition.

In addition, the maturities of our wealth management products may be shorter than those of the underlying assets. As a result, we may need to dispose of the underlying assets or seek financing to address the funding gap prior to the maturities of our wealth management products.

PRC regulatory authorities have introduced regulatory policies to restrict the amount that PRC commercial banks may invest in financial instruments issued by other financial institutions, in particular non-standard credit assets, using proceeds from the sale of wealth management products. See "Supervision and Regulation—Regulations on Principal Commercial Banking Activities—Wealth Management". PRC regulatory authorities may impose further restrictions on the wealth management business of PRC commercial banks, which could materially and adversely affect our business, financial condition and results of operations.

We are exposed to risks associated with off-balance sheet arrangements.

We provide off-balance sheet commitments to our customers in the ordinary course of business, primarily consisting of acceptances, guarantees, letters of credit and loan commitments. As of June 30, 2017, our off-balance sheet commitments totaled RMB28,842.4 million. See "Financial Information—Off-Balance Sheet Commitments".

We are exposed to credit risks associated with off-balance sheet commitments and are required to provide funds when our customers are unable to honor their obligations. If a customer fails to fulfill its obligations according to a letter of guarantee to a beneficiary of the guarantee, we will be obliged to make payments with respect to the letter of guarantee. If we are unable to recover payments from our customers in respect of such commitments, our financial condition and results of operations may be materially and adversely affected.

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

Our operating income was RMB3,602.4 million, RMB5,302.8 million, RMB6,970.9 million, RMB3,269.5 million and RMB4,050.5 million in 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, respectively. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our loans and advances to customers were RMB56,495.5 million, RMB90,626.7 million, RMB107,855.1 million and RMB118,169.9 million, respectively. However, we may not be able to successfully maintain our growth if we fail to offer new products and services to attract new customers, improve our marketing or expand our sales channels.

We also may not succeed in expanding our branch network to establish our brand name in new markets and reach new customers. Our growth is closely related to the PRC economy as well as other macroeconomic factors affecting the PRC and Gansu province, such as GDP growth, the inflation rate and changes in banking and financial industry laws and regulations. We may not be able to successfully maintain our growth rates due to unfavorable changes in one or more of these factors.

In addition, we require substantial managerial and operational resources to maintain growth. We may not be able to retain and attract qualified personnel or raise additional capital for the growth of the business on favorable terms, or at all, which may result in a lower capital adequacy ratio. Any occurrence of these risks may materially and adversely affect our business, financial condition and results of operations.

We had negative net cash flows from operating activities in 2015 and the six months ended June 30, 2016 and 2017. If we have negative operating cash flows in the future, our liquidity and financial condition may be materially and adversely affected.

We had negative net cash flows from operating activities of RMB1,624.6 million, RMB3,114.3 million and RMB10,660.4 million in 2015 and the six months ended June 30, 2016 and 2017, respectively. The negative net cash flow from operating activities in 2015 primarily resulted from an increase in loans and advances to corporate and retail customers. The negative net cash flow from operating activities in the six months ended June 30, 2016 primarily resulted from an increase in loans and advances to customers and our decreased use of repurchase transactions to fund our business growth. The negative net cash flow from operating activities in the six months ended June 30, 2017 primarily resulted from increases in deposits with banks and loans and advances to customers as well as a decrease in deposits and placements from banks and other financial institutions.

We cannot assure you we will be able to generate positive cash flows from operating activities. Our liquidity and financial condition may be materially and adversely affected by negative net cash flows, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur financing costs and we cannot guarantee that we will be able to obtain the financing on terms favorable to us, or at all.

We may not be able to effectively manage the risks associated with Jingning Chengji Rural Bank.

Pingliang City Commercial Bank established Jingning Chengji Rural Bank with other 4 legal entities and 7 natural persons. As of June 30, 2017, we owned a 62.7% equity interest in Jingning Chengji Rural Bank. Jingning Chengji Rural Bank operates as a separate legal entity regulated by CBRC, and maintains its own risk management and internal control systems. We cannot assure you that it will manage risks as rigorously as we do or that we will be able to detect and rectify deficiencies in its risk management and internal control systems in a timely manner.

We provide a high level of autonomy to Jingning Chengji Rural Bank. Our financial condition and results of operations may be adversely affected if Jingning Chengji Rural Bank operates its business in a manner that deviates from our expectations or guidance. Weaknesses or failures in its internal processes and systems, and other operational challenges could result in a disruption of its operations, liability to clients, exposure to disciplinary actions or reputational harm.

We are subject to risks arising from government policies and initiatives adopted to promote local economic development.

We benefit from favorable policies adopted by both national and local governments to promote economic development in Gansu province and Lanzhou, such as the "Belt and Road" initiative. We believe these policies are beneficial to promote the economic growth of the region.

No assurance can be given that the PRC government will maintain these favorable policies or that these policies will promote the economic development of Gansu province and Lanzhou. Any termination or unfavorable change in these policies could materially and adversely affect our business, financial condition and results of operations.

Our risk management framework, policies and procedures and internal control systems may not protect us against various risks inherent in our business.

We have established risk management systems and internal control systems and procedures to manage our risk exposure. Certain aspects of our risk management systems and internal control systems and procedures require monitoring, maintenance and improvement. Our risk management capabilities are associated with our information, tools or technologies available.

We may not be able to effectively monitor credit risk due to limited information resources or tools. In addition, we cannot assure you that all of our employees will fully comply with our risk management systems and procedures. Although we regularly update our risk management systems and procedures, we may fail to predict risks arising from rapid changes in market conditions, regulatory measures and our entry into new markets.

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

We face various risks as we expand our range of products and services.

We have been expanding our range of products and services, which exposes us to a variety of risks, including the following:

- We may not have sufficient experience and expertise to identify, disclose and manage risks associated with new products and services;
- We may be unable to provide adequate customer service for new products and services;
- Our new products and services may not be attractive to customers or meet our profitability expectations;
- We may not be able to recruit additional qualified personnel;
- We may not be able to obtain and maintain licenses for our new products and services;
- We may not be able to improve our risk management capabilities and IT systems to support a broader range of products and services; and
- We may not be able to mitigate the risks caused by our competitors and other financial service providers.

If our new products and services are not successful, our business, financial condition, results of operations and prospects could be materially and adversely affected. Furthermore, if we are unable to provide sufficient information to our customers or otherwise comply with banking regulations in the sales and marketing of financial products and services, we may be subject to legal proceedings or regulatory sanctions that could result in significant financial losses and reputational damage.

Our business and financial condition may be materially adversely affected by economic sanctions against Iran.

The United States has imposed sanctions against Cuba, Iran, North Korea, Sudan, Syria, and the Crimea region of Ukraine (the "**Sanctioned Countries**") as well as individual persons and entities on lists of designated parties. To varying extents, the European Union, Australia, and the U.N. also maintain certain sanctions.

We provide Renminbi settlement services to PRC merchants that we believe sell daily necessities and off-the-shelf commercial electronic devices to Iranian companies. In connection with these settlement services, fifteen Iranian banks maintain RMB and Euro clearance accounts in our Bank. We do not otherwise engage in transactions or dealings involving the Sanctioned Countries. See "Business—Business Activities Involving Sanctioned Countries" for details.

As the United States, Australia, the Member States of the E.U. (in respect of E.U. sanctions) and the Member States of the U.N. (in respect of U.N. Sanctions) retain substantial discretion in enforcing the scope of the respective sanctions regimes, the sanctions authorities of the aforementioned States may consider that our settlement activities involving Iran come within the jurisdictional scope of, and infringe, the respective sanctions laws. The United States, Australia, the E.U. and the U.N. may also expand the sanctions regimes currently in force if, for example, Iran fails to comply with its obligations under the Joint Comprehensive Plan of Action (which resulted in the suspension or lifting of certain sanctions that had previously been in place).

If the scope of U.S., E.U., Australian, or U.N. sanctions expands, our business and financial condition could be materially adversely affected. In addition, we have made certain sanctions-related undertakings to the Hong Kong Stock Exchange, who may delist our H Shares if we breach any of our undertakings.

If we are deemed to be in violation of applicable laws and regulations relating to sanctions, we could be subject to governmental actions that could lead to civil or criminal penalties (including fines), we could be denied certain benefits (such as U.S. export licenses, assistance from the Export-Import Bank of the United States, U.S. government contracts, or certain loans from U.S. financial institutions), and we could become the target of U.S. primary sanctions.

In addition, such violations, conduct, or findings of liability could damage our reputation. We may also encounter legal, regulatory or other restrictions on our ability to establish local presence or otherwise conduct business in one or more jurisdictions.

We have adopted internal control measures to manage exposure to sanctions risks. However, due in part to the complex and evolving nature of laws and regulations relating to sanctions, we cannot assure you that these measures will be adequate and effective. Any of these factors could materially and adversely affect our business, prospects, financial condition and results of operations. Before investing in our H Shares, you should also consider the sanctions risk that may arise because of your nationality or residency.

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

Our business depends on the ability of our information technology systems to support our business development and accurately process a large number of transactions in a timely manner. The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks that connect our branches and databases, 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".

Our operations may be materially disrupted if there is a partial or complete failure of any of our information technology systems. We are also subject to the risk of telecommunications network or Internet breakdowns. Such failures could be caused by, among other things, software bugs, computer virus attacks, conversion errors due to system upgrading, an equipment provider's failure to provide proper system maintenance, or natural disasters.

Any security breach caused by unauthorized access to information or systems, loss or corruption of data and malfunction of software, hardware or other computer equipment could materially and adversely affect our business, financial condition and results of operations. In addition, our ability to remain competitive depends on our ability to upgrade our information technology system in a timely and cost-efficient manner to respond to market changes and other developments. Any failure to improve and upgrade our information technology systems or develop new systems effectively or on a timely basis may materially and adversely affect our business, financial condition and results of operations.

We may be unable to detect and prevent fraud or other misconduct committed by our employees or third parties.

Our employees, agents, customers and other third parties may engage in misconduct or other improper activities that could subject us to financial losses and regulatory sanctions and harm our reputation. Such misconduct could include entering into transactions that exceed authorized limits, abusing or failing to apply loan classification standards, improperly using or disclosing confidential information, falsifying or concealing information, bribery or otherwise failing to comply with laws or internal control procedures of our employees. Please see "Business—Legal Proceedings and Compliance".

It is not always possible to deter and prevent fraud, employees' bribe-taking and other misconduct, and the precautions that we take to prevent and detect such activities may not be effective. We may also suffer from negative publicity, reputational damage or litigation losses that could arise from the misconduct of our employees and third parties, which may have a material adverse effect on our business, results of operations or financial condition.

We may not be able to identify money laundering activities or other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and adversely affect our business.

We must comply with anti-money laundering laws, anti-terrorism laws and other regulations in the PRC and other jurisdictions in which we operate. These laws and regulations require us to adopt and enforce "know your customer" policies and procedures and to report large and suspicious transactions to regulatory authorities in jurisdictions.

In light of the complexity of anti-money laundering activities and other illegal or improper activities, such policies and procedures may not eliminate the possibility that other parties utilize us to engage in money laundering and other illegal or improper activities. If we fail to comply with applicable laws and regulations, regulatory 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 activities.

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

Our ability to sustain business growth and meet future business demands depends on the continued service of our senior management. We also rely on the continued service and performance of our employees as most aspects of our business depend on the quality of our professional staff. The departure of any member of our senior management team or professional staff may adversely affect our business and results of operations.

Due to the expansion of our business and our increasing range of products and services, we need talented employees and have devoted resources to recruitment and professional training.

However, we may face increasing competition in recruiting and retaining qualified personnel, including our senior management, as other banks are competing for the same pool of qualified personnel and our remuneration packages may not be as competitive as those of our competitors.

Some of our employees are not subject to non-competition agreements and they may join our competitors, or may join customers they have developed while working for us. We may not be able to recruit or retain qualified staff in sufficient numbers or with sufficient experience, and competition in recruitment may increase 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 adversely affected.

Substantial legal liability or regulatory actions against us could materially and adversely affect our results of operations or financial condition, cause reputational damage and affect our business prospects.

We may be involved in legal proceedings or other disputes for various reasons and the volume and amount of claims in litigation and regulatory proceedings against financial institutions are high. We were involved in various law suits during the Track Record Period. Please see "Business—Legal Proceedings and Compliance" for details.

We are subject to inspections and reviews by the PRC regulatory authorities (including PBoC, CBRC, SAFE and SAT) and their respective local counterparts. We cannot assure you that we will fully comply with various applicable regulatory requirements from time to time. During the Track Record Period and as of the Latest Practicable Date, we were subject to administrative penalties as a result of regulatory inspections and reviews, generally in the form of fines.

In addition, certain routine or special inspections and reviews by PRC regulators may identify deficiencies in our operations, risk management and internal controls. For our identified deficiencies, please see "Business—Legal Proceedings and Compliance—Regulatory Inspections and Proceedings—Regulatory Inspection Results". If regulatory authorities impose penalties on us or require us to take remedial measures resulting from the inspection and review results, our reputation, business and prospects may be adversely affected.

We may be also subject to claims for alleged negligent misconduct, breach of fiduciary duty or breach of contract. These risks are often difficult to assess or quantify and their existence and magnitude often remain unknown for substantial amounts of time.

We cannot predict the results of legal and regulatory proceedings with certainty, and actual results may differ from our expectations of probable outcomes. Regardless of merit or final outcome, legal and regulatory proceedings and investigations could expose us to significant defense costs, fines and liability for monetary recoveries, cause reputational damage and harm our business prospects, any of which could have a material adverse effect on our business and results of operations.

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

As of the Latest Practicable Date, we had contacted and registered 125 corporate Shareholders and 3,406 individual Shareholders. As of the Latest Practicable Date, 218 individual Shareholders and 1 corporate Shareholder were uncontactable or did not provide us with complete information, and 1 corporate Shareholder was in the process of liquidation and cancellation.

Consequently, we could not complete their share custodian procedures with the Gansu Shares Exchange (甘肅股權交易中心). Our 127 corporate Shareholders collectively own 7,200,607,527 Shares, and 3,624 individual Shareholders collectively own 325,383,803 Shares. The above Shares have been included in the total number of our issued Shares.

As of the Latest Practicable Date, 220 Shareholders who had not completed their share custodian procedures held an aggregate of 6,894,959 Shares, representing approximately 0.09% of our issued share capital. Grandall Law Firm (Shanghai), our PRC legal adviser, is of the opinion that this will not have a material and adverse impact on the Bank's shareholding structure, corporate governance and operations as the Shares held by such Shareholders who had not completed their share custodian procedures accounted for a small percentage of our total Shares. However, there could be disputes regarding equity interests raised by Shareholders, such as disputes over the dilution of their shares, including H Shares. Any of such disputes or objections may result in negative publicity or reputational damage to us.

We cannot assure you that we have successfully contacted and accurately recorded all holders of our Shares or all persons entitled to our Shares. In addition, due to the large number of Shareholders, we may not be able to timely identify and record changes in our Shareholders as a result of any private transfers, or any transfer as a result of a shareholder's liquidation, reorganization or otherwise by operation of law.

Disputes may arise in the future between us and persons who claim to own our Shares but are not registered. Grandall Law Firm (Shanghai), our PRC legal advisor, is of the view that, if a court decides in favor of the person who claims to own our Shares, but are not registered on our register, we must update our register of Shareholders to reflect its equity interest in us. Handling such disputes may divert our management's attention and incur additional costs if we discover other Shareholders after the Global Offering.

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

As of the Latest Practicable Date, we owned and occupied 105 buildings with an aggregate GFA of approximately 87,070.8 square meters in the PRC. We have not obtained land use right certificates and/or building ownership certificates or real property right certificates for 42 buildings with an aggregate GFA of approximately 55,606.6 square meters. Please see "Business—Properties".

We may not be able to obtain these title certificates. Our right to own or occupy these buildings may be adversely affected by the absence of formal title certificates and we may be subject to related lawsuits or other legal actions. We may have to relocate our operations on the affected buildings and incur additional costs.

As of the Latest Practicable Date, we leased 324 buildings in the PRC, with an aggregate GFA of approximately 120,863.7 square meters. Among these buildings, we leased 191 buildings (with an aggregate GFA of approximately 73,901.6 square meters) from lessors who do not have or are unable to provide title certificates, or from lessors who are unable to provide written confirmation from owners of the leased buildings that they have legitimate rights to lease the buildings. Please refer to "Business—Properties". As a result, our leases may be invalid.

We cannot assure you that we will be able to renew our leases on terms acceptable to us upon their expiration. If any of our leases is terminated as a result of challenges by third parties or if we fail to renew them upon expiration, we may be forced to relocate affected branches and sub-branches and incur additional costs. In addition, our business, financial condition and results of operations may be adversely affected.

RISKS RELATING TO THE PRC BANKING INDUSTRY

We face intense competition in the PRC banking industry and other financing and investment channels.

The banking industry in the PRC is becoming increasingly competitive. We face competition in our principal areas of business from other commercial banks in Gansu. Such competition may materially and adversely affect our business and prospects by reducing the market share of our principal products and services, reducing our fee and commission income, affecting the growth of our product portfolio and increasing our difficulties in hiring employees. We may also face competition in attracting small and micro enterprise customers, as many larger commercial banks with greater resources are shifting focus from large enterprise customers to small and micro enterprise customers.

We face increased competition from other financing and investment channels. For example, our customers may raise capital in domestic and international capital markets, which could decrease our interest income from loans. In addition, our customers may withdraw deposits to invest in stocks, bonds and wealth management products, which could reduce our funds available for lending.

The rapid development of Internet finance in China results in more intense competition for our businesses and products, which may result in client losses or decrease the assets our clients invest through us. These could materially and adversely affect our business, financial condition and results of operations.

Our operations are highly regulated, and our business, financial condition, results of operations and prospects could be materially and adversely affected by changes in regulation and government policies.

The PRC banking industry is highly regulated. Our business could be directly affected by changes in the policies, laws and regulations relating to the PRC banking industry, such as those affecting our permitted scope of business, or the businesses for which we charge fees. We are subject to regulatory requirements and guidelines set forth by PRC regulatory authorities, including but not limited to the MOF, the NAO, the PBoC, the SAT, the CBRC, the CSRC, the SAFE and their respective local branches.

Some regulatory authorities conduct periodical and ad hoc inspections, examinations and inquiries, in respect of our compliance with laws, regulations and guidelines, and have the authority to impose fines or other punitive or administrative measures based on the inspection and review results. These laws, regulations and guidelines impose requirements on banking products and services, market entry, the opening of new branches and sub-branches or institutions, tax and accounting policies and pricing.

As the primary banking industry regulator in the PRC, the CBRC has promulgated banking regulations and guidelines aimed at improving the operations and risk management of PRC commercial banks. Failure to comply with applicable laws and regulations may result in fines or restrictions on our activities, which could materially and adversely affect our business, financial condition and results of operations.

Our business could also be materially affected by changes in laws and regulations governing the PRC banking industry. For example, in April 2014, the PBoC and other government authorities promulgated regulations stipulating that (i) the net interbank financing volume (excluding interbank deposits for settlement purposes) from a commercial bank to another legal-entity financial institution after deducting zero risk weighted financial assets should not exceed 50% of the bank's tier-one capital; and (ii) the net balance of interbank funds borrowed by a single commercial bank may not exceed one third of its total liabilities.

Regulatory authorities may impose other restrictions on our ability to raise funds on the interbank market, which could increase our borrowing costs and negatively affect our liquidity. In addition, the PBoC has adopted a Macro Prudential Assessment system for evaluating the systematic risks of the PRC banking industry based on various indicators, including capital adequacy ratio, liquidity, interest rate pricing, asset quality, foreign exchange risks and credit policy implementation. The PBoC is expected to assess a broader range of credit products offered by financial institutions based on the Macro Prudential Assessment system, including loans, equity investments and other investments. This will affect the composition of our asset portfolio and reduce our off-balance sheet assets.

In March and April 2017, the CBRC issued a series of circulars and guidelines to further tighten the regulations with respect to inappropriate transactions, high leverage ratios and arbitrage activities of the interbank businesses. These guidelines also increase regulatory requirements on the wealth management business of PRC commercial banks, and require PRC commercial banks to rectify non-compliance issues relating to their wealth management business. Please refer to "Supervision and Regulation—Regulations on Principal Commercial Banking Activities—Interbank Business". Failure to comply with new laws and regulations could materially and adversely affect our business, financial condition and results of operations.

Interest rate liberalization may materially and adversely affect our results of operations.

Similar to most PRC commercial banks, our results of operations depend to a large extent on net interest income. In 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our net interest income accounted for 95.3%, 96.8%, 95.7%, 97.2% and 92.6% of our total operating income, respectively. Our net interest income is sensitive to adjustments in benchmark interest rates set by the PBoC.

In recent years, the PBoC has adjusted benchmark interest rates several times to liberalize interest rates in the PRC. For example, the PBoC abolished the lower limits on interest rates for financial institution RMB-denominated loans (except for mortgage loans) in July 2013, and abolished the floating ceiling on interest rates for financial institution RMB-denominated deposits of commercial banks and rural cooperative financial institutions on October 24, 2015.

Liberalization of interest rates may intensify competition among PRC banks, which would decrease our net interest margin. In addition, the Deposit Insurance Regulation (《存款保險條例》), which came into effect on May 1, 2015, requires banks to pay premiums for deposit insurance, which has increased our operating costs, and therefore could materially and adversely affect our financial condition and results of operations.

We cannot assure you that we will be able to diversify our businesses, adjust the mix of our assets and liabilities or change our pricing to effectively respond to the liberalization of interest rates, which may materially and adversely affect our business, financial condition and results of operations.

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

We use short-term borrowing in the interbank market to meet our liquidity needs. Volatility in interest rates in the interbank market or a decrease in our financing capacity could materially and adversely affect our liquidity, financial condition and results of operations. As of June 30, 2017, deposits from banks and other financial institutions, financial assets sold under repurchase agreements and placements with banks and other financial institutions accounted for 11.3%, 3.0% and 0.02% of our total liabilities, respectively.

A market rate system based on SHIBOR has been developing in the PRC. However, market interest rates may be volatile due to the relatively short history of the PRC interbank market. SHIBOR interest rates may experience irregular fluctuations and rates may not return to normal ranges after any irregular fluctuations. Significant volatility in liquidity and interest rates in the PRC interbank market may have a material and adverse effect on our cost of borrowing and liquidity.

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

Subject to these laws and regulations and other applicable regulations, we cannot guarantee the sustained sufficient short-term capital from the interbank market, and regulatory authorities may further restrict interbank businesses and borrowing of interbank funds. As a result, our financing ability will be restricted, and the financing cost may increase, which may have a material adverse impact on our liquidity and profitability.

Ownership restrictions under PRC laws may adversely affect the value of your investment.

Investments in PRC commercial banks are subject to ownership restrictions. For example, prior approval from the CBRC is required for any person or entity to hold 5% or more of the registered capital or total issued shares of a PRC commercial bank. If a shareholder of a PRC commercial bank increases his shareholding to exceed the 5% threshold without prior approval from the CBRC, such shareholder will be subject to fines and other administrative sanctions imposed by the CBRC. Please refer to "Supervision and Regulation".

In addition, Shareholders are subject to restrictions on pledging our Shares. Please refer to "Supervision and Regulation" and our Articles of Association concerning restrictions on pledge of Shares by Shareholders. According to the PRC Company Law and Corporate Governance Guidelines, we may not issue pledge loans with our Shares as collateral. In accordance with Corporate Governance Guidelines, CBRC Notice on Enhanced Management of Pledge of Equity Interest in Commercial

Banks (《中國銀監會關於加強商業銀行股權質押管理的通知》) and/or our Articles of Association, a Shareholder pledging our Shares as a guarantee for his or another party's loan shall comply with laws, regulations and requirements of regulatory authorities and inform our Board of Directors before making the pledge.

Where a Shareholder who has a seat on the Board of Directors or the Board of Supervisors, or directly, indirectly or jointly holds or controls more than 2% of our Shares or voting rights pledges his Shares in us, he shall make a filing to our Board of Directors. The filing shall state the basic information of the pledge, including the reasons for the pledge, the number of Shares involved, the term of the pledge and the particulars of the pledgees.

Where the Board of Directors considers the pledge to be materially adverse to the stability of our equity interests, governance as well as the control of risks and related party transactions, the filing shall be rejected. The Director(s) appointed by a Shareholder proposing to pledge our Shares held by him shall abstain from voting at the board meeting at which such proposal is considered.

A Shareholder with outstanding loans from us exceeding the audited net value of our Shares held by him for the previous year is not permitted to pledge our Shares held by him. If a Shareholder pledges 50% or more of our Shares held by him, the voting rights of the Shareholder at the shareholders' general meeting shall be subject to restrictions. If the said Shareholder nominates a Director for our Board of Directors, the voting rights of the Director at the board meeting shall be subject to restrictions.

Our ability to effectively manage credit risk may be adversely affected by the quality and scope of information available in the PRC.

Since China's National Enterprise Credit Information Publicity System remains undeveloped, we rely primarily on publicly available resources and internal resources to assess customer credit risks. As the information we rely on may not be complete, accurate and reliable, we may not be able to adequately identify and manage credit risks. Furthermore, affiliation among borrowers is complex and can be difficult to identify, limiting our ability to analyze borrower concentration.

Our loan classification and provisioning policies for impairment losses may be different from those applicable to commercial banks in other countries or regions.

We classify our loans using five-category loan classification standards based on CBRC guidelines. See "Supervision and Regulation—Loan Classification, Allowances and Write-offs—Loan Classification". We recognize impairment losses on loans and determine the provisions for impairment losses on loans and advances to customers in accordance with IAS 39. We individually assess significant loans with objective evidence of impairment to determine the provision for impairment losses. We collectively assess individual significant loans for which no evidence of impairment has been individually identified, and determine the provision for impairment losses for these loans based on historical loss experience with similar loan portfolios and economic conditions. See "Assets and Liabilities—Assets—Asset Quality of Our Loan Portfolio—Provision for Impairment Losses on Loans and Advances to Customers".

Our loan classification and provisioning policies for impairment losses may be different from those of banks incorporated in other countries or regions. As a result, our loan classifications and allowances for impairment losses under our loan classification and provisioning policies may differ from those that we would report if we were incorporated in other countries or regions. We may need to report the differences in our loan classifications and provisions for impairment losses if we become subject to regulations in those countries or regions.

Changes in accounting standards or policies may materially affect our results of operations and financial condition.

Financial accounting and reporting standards that govern the form and content of our financial statements change from time to time. In addition, entities and institutions that establish and interpret accounting standards may change or reverse previous interpretations or positions regarding the application of these standards.

Changes in financial accounting and reporting standards and interpretations may be beyond our control, can be difficult to predict and could materially impact how we record and report our results of operations and financial condition. In some cases, we could be required to apply a new or revised standard retroactively, resulting in material changes to previously reported financial results, or a material cumulative charge to retained earnings.

Any changes in our accounting policies may significantly impact our results of operations and financial condition. New accounting policies that are likely to significantly impact our results of operations and financial condition include, but are not limited to, policies that we will adopt to comply with IFRS 9—Financial Instruments, IFRS 15—Revenue from Contracts with Customers and IFRS 16—Leases.

On July 24, 2014, the International Accounting Standards Board issued the final version of its standard on financial instruments accounting. The new IFRS 9 standard has a mandatory effective date of January 1, 2018. Implementation of IFRS 9 may significantly impact our results of operations and financial condition. For example, to determine provision for impairment losses on financial assets, we must replace the incurred impairment loss model in IAS 39 with an expected impairment loss model that will apply to various exposures to credit risk.

We anticipate that the adoption of the expected impairment loss model will result in an earlier recognition of credit losses, and may result in an increase in impairment losses and a corresponding decrease in retained earnings. IFRS 9 will also change the way we classify and measure our financial assets, and will require us to consider the business model and contractual cash flow characteristics of financial assets to determine classifications and subsequent measurements, which may in turn negatively affect our profit and other comprehensive income.

We have assessed the potential impact of IFRS 9 on our financial statements. Based on such assessment, we believe IFRS 9, when adopted, will not materially impact our results of operations and financial condition in 2018, including our provision for impairment losses and retained earnings. However, our assessment is subject to uncertainties, assumptions and other factors which may cause our actual results and performance to materially differ from what we expect. There remains uncertainty as to the full impact of the adoption of IFRS 9 on our results of operations and financial condition.

The International Accounting Standards Board issued IFRS 15 in May 2014. IFRS 15 will replace the existing revenue recognition standards from January 1, 2018, and will require us to recognize revenue in an amount that reflects the consideration that we expect to receive for goods or services provided to customers.

The IASB has issued IFRS 16 to replace IAS 17—Leases, which is effective for annual periods beginning on or after 1 January 2019. IFRS 16 requires lessees to recognize assets and liabilities for all leases with a lease term of more than 12 months, unless the underlying asset has a low value. This change will mainly impact the accounting for the properties for which we currently account as operating leases.

As of June 30, 2017, we had non-cancellable operating lease commitments of approximately RMB406.1 million. We will be required to recognize certain portions of these lease commitments in our consolidated statement of financial position as right-of-use assets and lease liabilities under IFRS 16. There remains uncertainty as to how this will affect our profit and classification of cash flows.

The value of our deferred tax assets may not be realizable if our future profits are less than we have projected and we may be required to record valuation allowances against previously-recorded deferred tax assets, which may have a material adverse effect on our results of operations and our financial condition.

As of June 30, 2017, we had net deferred tax assets of RMB1,244.9 million, primarily representing temporary deductible differences arising from impairment losses for loans and advances and financial assets. We determine the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to historical operating results, expectations of future earnings and tax planning strategies, among other factors. If our estimates and assumptions about future taxable income or tax liability are not accurate, including as a result of any changes to tax laws and regulations applicable to us, or if we fail to recover impaired loans and advances or financial assets, the value of our deferred tax assets may not be recoverable and may result in a valuation allowance that would negatively impact our results of operations and financial condition.

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

Since 2012, the PRC government has been progressively implementing the pilot reform for the transition from business tax to value-added tax ("VAT") in certain regions and industries. VAT began to apply to the financial industry from May 1, 2016 pursuant to the Notice on the Comprehensive Implementation of Pilot Reform for Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) and the Measures for the Implementation of Pilot Reform for Transition from Business Tax to Value-added Tax (《營業稅改徵增值稅試點實施辦法》) promulgated by the MOF and the SAT on March 23, 2016. We began to calculate and pay value-added tax in lieu of business tax on the same date.

The MOF and the SAT issued the Circular on Value-added Tax Policies for Financial, Real Estate Development, Educational Ancillary Service and Other Services (《關於明確金融、房地產開發、教育輔助服務等增值稅政策的通知》) (Cai Shui [2016] No. 140) on December 21, 2016. The Circular took effect retroactively from May 1, 2016 and materially affects the tax treatment of our investment and asset management businesses.

VAT laws are relatively new and evolving, and may be inconsistently interpreted and enforced. As a result, the impact of the new VAT regime on our financial condition and results of operations remains uncertain.

Our business, financial condition, results of operations, prospects and the value of your investment may be adversely affected by negative media coverage of the PRC banking industry.

The PRC's banking industry is covered extensively and critically by various news media. Historically, the media has reported incidents of fraud and issues relating to high levels of non-performing loans, loan quality, capital adequacy, solvency, internal controls and risk management.

As a result, negative coverage, whether or not accurate or applicable to us, could have a material adverse effect on our reputation and, consequently, may undermine depositor and investor confidence. Our business, financial condition, results of operations and prospects and the value of your investment may be materially and adversely affected.

RISKS RELATING TO THE PRC

Our business could be materially and adversely affected by changes in economic, political and social conditions in the PRC, as well as by changes in policies adopted by the PRC government.

All of our assets and operations are located in the PRC, and as a result, our business, results of operations, financial condition and prospects are subject to economic, political, legal and social conditions in the PRC.

Although China's economy has been transitioning from a planned economy to a more market-oriented economy for over 30 years, the PRC government has retained significant control over economic growth by owning a substantial portion of productive assets, allocating resources, controlling capital investment, reinvestment and foreign exchange, setting monetary policies and offering preferential treatment to certain industries or companies. In recent years, the PRC government has implemented economic reforms emphasizing the use of market forces to drive economic development, the reduction of state ownership of productive assets and the establishment of sound corporate governance.

These economic reforms may be adjusted and modified, or applied inconsistently from industry to industry or across different regions. As a result, some measures may benefit the overall PRC economy, but adversely affect the industries in which we operate. If the business environment in the PRC deteriorates, our asset quality may decline, the value of the collateral or guarantees provided to us may decrease, and the amount of non-performing loans may increase.

Our results of operations could also be adversely affected by government control over capital investments or changes in applicable tax regulations. All of these factors are beyond our control and may materially and adversely affect our business, results of operations, financial condition and prospects.

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

The PRC banking industry has experienced rapid growth along with China's economic development. Banks have historically been, and are likely to remain, the principal domestic financing channel for enterprises 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 and increases in household income, among other factors.

Notwithstanding the significant growth in the banking industry in China, it is uncertain whether the banking industry in China can sustain the current rates of growth. A slowdown in the growth of the

PRC economy and other unfavorable macroeconomic developments and trends in China and other parts of the world could materially and adversely affect the banking industry in China.

Due to the newly accumulated risks caused by overcapacity, local government debts and overall economic slowdown, we cannot assure you that the banking industry in the PRC is free from systemic risks. The recent slowdown in China's economic growth has led to a rise in non-performing loans of the banking industry.

Uncertainties in the PRC's legal system may materially and adversely affect us.

Our operations are subject to PRC laws and regulations. China's legal system is based on written statutes. Previous court decisions may be cited for reference but have limited precedential value. Since the late 1970s, China has promulgated laws and regulations dealing with economic matters, such as issuance and trading of securities, shareholder rights, foreign investment, corporate organization and governance, commerce, taxation and trade.

However, many of these laws and regulations, particularly with respect to the financial services industry, are relatively new and evolving, and are subject to different interpretations. In addition, limited volumes of published court decisions may be cited for reference, but such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties with respect to the interpretation, implementation and enforcement of these laws and regulations and a legal system that gives limited precedential value to previous court decisions can affect the legal remedies and protections available to you and adversely affect the value of your investment.

Our Articles of Association provide that, apart from disputes over the recognition of Shareholders or the register of Shareholders, disputes among holders of H Shares and ourselves, our Directors, Supervisors or senior management personnel or other Shareholders arising out of our Articles of Association or any rights or obligations conferred or imposed thereupon by the PRC Company Law and related 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 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 arbitration award made in favor of holders of H shares would succeed.

The PRC government's control over foreign currency conversion may limit our foreign exchange transactions, and fluctuations in exchange rates may materially and adversely affect our business and ability to pay dividends to holders of H Shares.

The Renminbi is not a freely convertible currency. We receive most of our revenues in Renminbi and may need to convert Renminbi to foreign currency to meet foreign currency obligations, such as the payment of dividends to holders of H Shares.

Conversion of Renminbi into foreign currency for current account transactions, including the distribution of dividends and profits to foreign investors of foreign investment enterprises, does not require SAFE approval. However, PRC regulatory authorities may amend foreign exchange regulations and require regulatory approval for the distribution of dividends in foreign currencies.

We must obtain SAFE approval before converting RMB into foreign currencies for capital account transactions, such as repatriation of capital, repayment of loans and securities investment. We cannot assure you that we can obtain regulatory approvals for capital account transactions.

The value of the RMB fluctuates and is subject to changes in the PRC's political and economic conditions. Since July 2005, the PRC has started to adopt an adjustable and managed floating exchange rate system based on market supply and demand and with reference to a basket of currencies, to allow the value of RMB to fluctuate within a regulated band.

In March 2014, the PBoC enlarged the floating band of RMB against the U.S. dollar on the interbank spot foreign exchange market to 2.0%. There remains significant international pressure on the PRC government to adopt more flexible currency policies.

As dividends on the H Shares will be declared in RMB and paid in Hong Kong dollars, Shareholders of the H Shares in countries or regions other than China are subject to risks arising from adverse movements in the value of the RMB against the Hong Kong dollar, which may reduce dividends paid on the H Shares. Furthermore, following the Global Offering, our exposure to foreign exchange risks may increase, as the net proceeds from the Global Offering are expected to be denominated in currencies other than RMB.

As of the Latest Practicable Date, we had not entered into any hedging transactions to manage our exposure to foreign exchange risks. Fluctuations in exchange rates between the RMB and other currencies may materially and adversely affect our business, financial condition and results of operations.

It may be difficult to effect service of legal process upon, or enforce any judgments obtained outside the PRC against, us, our Directors, Supervisors and members of senior management residing in the PRC.

Most of our Directors, Supervisors and members of senior management reside in the PRC. In addition, most of our assets and assets of our Directors, Supervisors and members of senior management are located in the PRC.

The PRC does not have treaties providing for reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and other countries. As a result, investors may not be able to serve process upon us or persons residing in the PRC, or enforce any judgment of a non-PRC court against us or persons in the PRC.

On July 14, 2006, the Supreme People's Court of the PRC and the Hong Kong SAR Government entered into an arrangement on reciprocal recognition and enforcement of judgments in civil and commercial matters. Under this arrangement, where People's Court in the PRC or Hong Kong court has made an enforceable final judgment requiring the payment of money in a civil or commercial case pursuant to a choice of court agreement, a party may apply to the relevant People's Court in the PRC or Hong Kong court for recognition and enforcement of the judgment. Although the arrangement became effective on August 1, 2008, the outcome and effectiveness of any actions brought under this arrangement remains uncertain.

Dividends payable by us to foreign investors and gains on the sale or other disposition of our H Shares are subject to withholding taxes under PRC tax laws.

Non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-PRC resident individuals must pay PRC individual income tax under China's Individual Income Tax Law, unless the tax liabilities are waived or reduced by the tax authority of the State Council in accordance with a tax treaty.

We must withhold tax from dividend payments unless a tax treaty reduces the tax rate or provides an exemption from these tax obligations. According to 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, an individual income tax rate of 10% applies to dividends payable by a domestic non-foreign-invested enterprise that issues shares in Hong Kong to overseas resident individuals. However, there remains uncertainty as to whether gains realized by non-PRC resident individuals on the disposition of our H Shares are subject to PRC individual income tax.

Under the EIT Law and its application measures, if non-PRC resident enterprises do not have establishments or premises in the PRC, or have establishments or premises in the PRC with income that is not related to such establishments or premises, they are subject to 10% PRC enterprise income tax on dividends received from a PRC company unless a tax treaty reduces the tax rate or provides an exemption from these tax obligations.

There remains uncertainty as to the interpretation and implementation of the EIT Law and other applicable PRC tax laws and regulations by PRC tax authorities. China's tax laws and regulations may also change. In the event of any unfavorable changes in applicable tax laws and regulations or their interpretation or application, the value of your investment in our H Shares may be materially affected.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law and our Articles of Association, dividends may only be paid out of distributable profits. Distributable profits are our profits determined in accordance with total profits after tax shown in the annual financial statements under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other required reserves. As a result, we may not have sufficient or distributable profits to distribute dividends to our Shareholders, including in periods during which we are profitable.

Distributable profits not distributed in a given year are retained for distribution in subsequent years. In addition, the CBRC has discretion to restrict dividend payments and other distributions by any bank that has failed to meet statutory capital adequacy ratios or violated other PRC banking laws and regulations.

Since the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profits under PRC GAAP, even if they have profits under IFRS, or vice versa. As a result, we may not be able to receive sufficient dividends from our subsidiaries, which could adversely affect our cash flows and ability to distribute dividends to Shareholders.

We may incur losses as a result of force majeure, natural disasters, terrorist attacks or outbreaks of contagious diseases.

Natural disasters, epidemics, war or terrorist activities or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we operate. These regions may face the threat of typhoon, tornado, snow storm, earthquake, flood, drought, power shortage or failure, epidemics such as SARS, avian influenza, H1N1 influenza, H5N1 influenza or H7N9 influenza, potential wars or terrorist attacks, riots, disturbances or strikes.

Natural disasters may result in casualties and destruction of assets and disrupt our operations. Severe contagious disease outbreaks could lead to a widespread health crisis that could materially and adversely affect our business in the affected regions. Acts of war or terrorism, riots or disturbances may also injure our employees and disrupt our business network and operations. Any of these factors could negatively impact our business environment, and materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

Prior to the Global Offering, there was no public market for the H Shares. The trading volume and market price of the H Shares may fluctuate.

Prior to the Global Offering, there was no public market for the H Shares. The initial offer price range for the H Shares was the result of negotiations between us and the Joint Representatives (for itself and on behalf of the Underwriters), and the market price for the H Shares following the Global Offering may significantly differ from the Offer Price.

We have applied to list and trade the H Shares on the Hong Kong Stock Exchange. However, the Global Offering does not guarantee that an active and liquid public trading market for the H Shares will develop. In addition, the price and trading volumes of the H Shares may fluctuate. Fluctuations in our results of operations, general market conditions or other developments affecting us or the industry in which we operate may affect the trading volume and price at which the H Shares will trade.

Future sales or offerings of the H Shares, or conversion of Domestic Shares into H Shares, may adversely affect the prevailing market price of the H Shares and result in dilution.

The market price of the H Shares may decline due to future offerings or sales of substantial amounts of our Shares or other securities relating to the 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 the H Shares and our ability to raise capital at a time and at a price which we deem appropriate.

In addition, our Shareholders will experience a dilution in their holdings upon the issuance of additional securities for any purpose. If we raise additional funds by issuing new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, the ownership percentage of such Shareholders may be reduced, and the new securities may confer rights and privileges that take priority over those of the H Shares.

In addition, the Domestic Shares may be converted into H Shares subject to regulatory approvals and compliance with relevant regulatory requirements. Any conversion of Domestic Shares will increase the number of H Shares available on the market and may affect the trading price of the H Shares.

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

The Offer Price of the H Shares is higher than the net tangible asset value per share of the H Shares immediately prior to the Global Offering. As a result, purchasers of the H Shares in the Global Offering will experience immediate dilution in pro forma adjusted net tangible assets of HK$2.460 per H Share (assuming an Offer Price of HK$2.69, being the mid-point of the indicative offer price range, and assuming the Over-allotment Option is not exercised). Purchasers of H Shares may experience further dilution if the Underwriters exercise the Over-allotment Option or if we issue additional H Shares in the future.

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

We declared and distributed cash dividends of nil, RMB602.1 million and nil for the years ended December 31, 2014, 2015 and 2016, respectively. However, dividends paid in prior periods may not be indicative of future dividend payments. We cannot assure you when, if and in what form or size we will pay dividends in the future.

Our Board of Directors determines the frequency and amount of dividend distributions mainly based on our results of operations, cash flow and financial position, capital adequacy ratios, business prospects, regulatory restrictions on the payment of dividends and other factors that our Board of Directors deems relevant. See "Financial Information—Dividend". We may not adopt the same dividend policy that we have adopted in the past.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may use the net proceeds of the Global Offering in ways with which you may disagree with or that do not yield a favorable return to the Shareholders. We plan to use the net proceeds of the Global Offering to enhance our core capital to support our business growth. See "Future Plans and Use of Proceeds—Use of Proceeds". However, our management will have the discretion as to the actual use of the net proceeds. You are entrusting your funds to our management with respect to the specific use of the net proceeds from the Global Offering.

Certain facts, forecasts and statistics in this prospectus with respect to China, Hong Kong and their respective economies and banking industries are derived from official or third party sources and may not be accurate, reliable, complete or up to date.

We have derived certain facts, forecasts and statistics in this prospectus relating to China, Hong Kong and their respective economies and banking industries from various government or other third party sources. Neither we nor any other parties involved in the Global Offering have prepared or independently verified these facts, forecasts and statistics, which may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside of China.

We cannot assure you of the accuracy or reliability of the information derived from official government or other third party sources. Accordingly, you should not place undue reliance on such information as a basis for making your investment in the H Shares.

Since there will be several days between pricing and trading of the H Shares, the price of the H Shares could fall during this period.

The Offer Price of the H Shares is expected to be determined on the Price Determination Date. However, the H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date.

As a result, investors may not be able to sell or otherwise trade the H Shares during that period. Accordingly, the price of the H Shares could fall before trading begins due to adverse market conditions or other adverse developments between Price Determination Date and the date on which trading begins.

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

We have not authorized anyone to provide you with information that is not contained in, or is different from information contained in, this prospectus. Prior or subsequent to the publication of the prospectus, there has been press and media coverage regarding us and the Global Offering, in addition to marketing materials we have published 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 about us in 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 information in the press and media is inconsistent or conflicts with the information in this prospectus, we disclaim it, and you should not rely on any such information. In making your decision as to whether to purchase the H Shares, you should rely only on the information included in this prospectus and the Application Forms.

U.S. withholding tax may be imposed on payments on our Shares.

Sections 1471 through 1474 (as amended) of the U.S. Internal Revenue Code of 1986 and applicable U.S. Treasury Regulations (commonly referred to as "FATCA") generally impose a 30% withholding tax on certain "withholdable payments". In the future, they may impose withholding tax on "foreign pass-through payments" made by a "foreign financial institution" (an "FFI").

Under the current guidance, the term "foreign pass-through payment" is not defined and it is therefore unclear whether or to what extent payments on our Shares would be considered a foreign pass-through payment. Withholding tax on foreign pass-through payments will not be required for payments before January 1, 2019.

The United States has entered into an intergovernmental agreement (an "IGA") with Hong Kong (the "Hong Kong IGA"), and has agreed in substance with the PRC to an IGA ("the PRC IGA"), which may modify the FATCA withholding requirement described above. Under FATCA rules and the IGAs, we and our subsidiaries that are treated as FFIs will be subject to the diligence, reporting and withholding obligations of FATCA or an IGA.

It is not clear how the Hong Kong IGA or the PRC IGA will address foreign pass-through payments. Investors should consult their tax advisors regarding the potential impact of FATCA, the Hong Kong IGA, the PRC IGA and any non-U.S. legislation implementing FATCA, on their investment in our Shares.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

APPROVAL OF THE CSRC AND THE CBRC

The Bank obtained approvals from the CBRC Gansu Office and the CSRC on August 14, 2017 and December 15, 2017, respectively, for the making of the application to list the H Shares on the Hong Kong Stock Exchange and the Global Offering. In granting such approval, neither the CSRC nor the CBRC shall accept any responsibility for the Bank's financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or on the Application Forms.

UNDERWRITING AND INFORMATION ABOUT THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of 221,200,000 H Shares initially offered and the International Offering of 1,990,800,000 H Shares initially offered (subject, in each case, to reallocation on the basis under the section headed "Structure of the Global Offering" in this prospectus).

The listing of the Bank's H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters on a conditional basis, with one of the conditions being that the Offer Price is agreed between the Joint Representatives (on behalf of the Underwriters) and the Bank. The International Underwriting Agreement is expected to be entered into on or about January 11, 2018, subject to agreement on the Offer Price between the Joint Representatives (on behalf of the Underwriters) and the Bank. Further details of the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

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

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

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

DETERMINATION OF THE OFFER PRICE

The H Shares are being offered at the Offer Price which will be determined by the Joint Representatives (on behalf of the Underwriters) and the Bank on or around January 11, 2018 or such later date as may be agreed upon between the Joint Representatives (on behalf of the Underwriters) and the Bank, and in any event no later than January 15, 2018. If the Joint Representatives (on behalf of the Underwriters) and the Bank is unable to reach an agreement on the Offer Price on such date, the Global Offering will not proceed.

RESTRICTIONS ON OFFER AND SALE OF THE H SHARES

No action has been taken to permit a public offering of the H Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation for subscription in any jurisdiction or in any circumstances in which such an offer or invitation for subscription is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sales of the H Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the H Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of the H Shares to confirm, that he is aware of the restrictions on offers and sales of the H Shares in this prospectus. In particular, the H Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

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

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on January 18, 2018. Except for the Bank's pending application to the Hong Kong Stock Exchange for permission to list of and to deal in the H Shares, no part of the 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.

The H Shares will be traded in board lot of 1,000 H Shares. The stock code of the H Shares is 2139.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the permission to list of and to deal in the H Shares on the Hong Kong

Stock Exchange is rejected before the expiration of three weeks from the date of the closing of the subscription application, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Bank by or on behalf of the Hong Kong Stock Exchange.

COMPLIANCE WITH THE LISTING RULES

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

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

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

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

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

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

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

PROFESSIONAL TAX ADVICE RECOMMENDED

It is recommended that potential investors in the Global Offering should seek the advice of their professional advisors about the tax effects of subscribing for, purchasing, holding or disposing of and/or dealing in the H Shares or exercising rights attached to them. It is emphasized that none of the Bank, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, agents or representatives nor any other person or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposing of, or dealing in the H Shares or exercising any rights attached to them.

OVER-ALLOTMENT AND STABILIZATION

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

PROCEDURE FOR APPLICATION FOR SUBSCRIBING FOR THE H SHARES

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

STRUCTURE OF THE GLOBAL OFFERING

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

H SHARE REGISTER AND STAMP DUTY

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

Dealings in the H Shares registered in the H Share register in Hong Kong will be subject to Hong Kong stamp duty. The current and valorem rate of Hong Kong stamp duty of 0.1% on the higher of the consideration for or the market value of the Shares and it is charged to the purchaser on every purchase and to the seller on every sale of the Shares. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares.

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

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 the Bank's compliance with the stock admission requirements of HKSCC, the H Shares of the Bank will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS from the date of commencement of dealing in 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.

CURRENCY TRANSLATIONS

Solely for your convenience, certain translations among amounts in RMB, HK$ or US$ are contained in this prospectus. None should be regarded as and be interpreted as an amount in one currency that can be on the relevant dates or any other dates actually converted into that in another currency at the rates below or cannot be converted at all. Unless otherwise specified, (i) all amounts in RMB are translated into HK$ at an exchange rate of RMB0.8415 to HK$1.00, being the middle exchange rate set by the PBoC prevailing on December 22, 2017; (ii) all amounts in RMB are translated into US$ at an exchange rate of RMB6.5821 to US$1.00, being the middle exchange rate set by the PBoC prevailing on December 22, 2017; and (iii) all amounts in US$ are translated into HK$ at an exchange rate of HK$7.8137 to US$1.00, being the noon buying rate valid on December 22, 2017 in the H.10 Weekly Statistics issued by the Federal Reserve Bank. Further information on exchange rates is set forth in "Appendix VI—Taxation and Foreign Exchange" in this prospectus.

LANGUAGE

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

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments or are rounded down to one (1) or two (2) decimal places. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

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

WAIVER IN RELATION TO MANAGEMENT PRESENCE

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, the Bank must have a sufficient management presence in Hong Kong. This normally means that at least two of the Bank's executive Directors must be ordinarily resident in Hong Kong. Since the Bank's head office, principal business and operation are located, managed and operated in the PRC, and all of the Bank's executive Directors ordinarily reside in the PRC, the Bank does not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements of Rules 8.12 and 19A.15 of the Listing Rules. Accordingly, the Bank has applied for, and the Hong Kong Stock Exchange has granted the Bank, a waiver from strict compliance with the requirements of Rules 8.12 and 19A.15 of the Listing Rules on the condition that the following arrangements be made for maintaining regular communication with the Hong Kong Stock Exchange:

(a) The Bank has appointed Mr. Li Xin, its executive Director and chairman and Ms. Hui Yin Shan, one of the joint company secretaries of the Bank, who is ordinarily resident in Hong Kong, as the authorized representatives under Rule 3.05 of the Listing Rules to serve as the Bank's principal channel of communication with the Hong Kong Stock Exchange. The Bank has provided the Hong Kong Stock Exchange with contact details of the authorized representatives. 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 matter, each of the Bank's authorized representatives will have the means to contact all of the Directors promptly at all times;

(b) The Bank has implemented the following measures: each Director must provide the authorized representatives with (i) their respective mobile phone numbers, office phone numbers, fax numbers and email addresses, and (ii) the phone number of the place of their accommodation if they expect to travel or otherwise be out of the office;

(c) The Bank has provided the Hong Kong Stock Exchange with the contact details of each Director (including their respective mobile phone numbers, office phone numbers, fax numbers and email addresses) (if applicable) to facilitate the 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 of time;

(d) In accordance with Rules 3A.19 and 19A.05 of the Listing Rules, the Bank has appointed Guotai Junan Capital Limited as the compliance advisor, to act as an additional channel of communication with the Hong Kong Stock Exchange for the period commencing on the Listing Date and ending on the date on which the Bank publishes the financial results for the first full financial year commencing after the Listing Date. The Bank's compliance advisor will have access at all times to the authorized representatives, Directors and other senior officers to ensure that it is in a position to respond promptly to any inquiries or requests from the Hong Kong Stock Exchange concerning the Bank; and

(e) The Bank will also appoint other professional advisers (including legal advisers and accountants) after the Listing Date to assist the Bank in handling any questions or inquiries from the Hong Kong Stock Exchange to ensure effective communication between the Bank and the Hong Kong Stock Exchange.

WAIVER FROM HONG KONG FINANCIAL DISCLOSURE REQUIREMENTS

Rule 4.10 of the Listing Rules requires the information required to be disclosed under Rules 4.04 to 4.09 of the Listing Rules to be in accordance with the HKFRS, IFRS or the China Accounting Standards for Business Enterprises (for Chinese issuers who have adopted the China Accounting Standards for Business Enterprises for the preparation of annual financial statements) and the best practices under the Guideline on the Application of the Banking (Disclosure) Rules issued by the HKMA (for companies that conduct banking business).

The Banking (Disclosure) Rules issued by the HKMA replaced, inter alia, FD-1 and are applicable for the first financial year of relevant authorized institutions commencing on or after January 1, 2007. As the Bank is engaged in banking activities, Rule 4.10 of the Listing Rules requires the financial information to be disclosed in this prospectus to include information required to be disclosed by the Banking (Disclosure) Rules.

The Bank is currently unable to fully comply with certain of the disclosure requirements under the Banking (Disclosure) Rules for the reasons described below. The Bank believes that the financial disclosure requirements that the Bank is currently unable to comply with have no material impact on potential investors of the Bank.

The Bank's 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
95 100	An authorized institution shall disclose the value of collateral which has been taken into account in respect of such impaired loans and advances to which the specific provisions relate. An authorized institution shall disclose a description of any collateral held in respect of the overdue loans and advances and any other forms of credit risk mitigation and, unless impracticable, an estimate of the fair value of such collateral or such other forms of credit risk mitigation.	The Bank records the value of collateral at the time of the grant of loans. The Bank internally appraises the value of collateral on a quarterly basis, and may engage professional appraisal institutions to reappraise the collateral if there is any material decrease in its value. The Bank also conducts internal or third-party reappraisal upon the occurrence of any significant risk incidents that could materially affect the value of the collateral or a borrower's repayment ability. The Bank may require borrowers to provide additional collateral or make early repayment if the collateral is significantly impaired. As the Bank has not yet established a collateral management system which can record and process standardized data for collateral, the Bank is unable to collect the relevant data from a large number of hard copies of reports to compile information for disclosure.	Regarding the periodical review of the changes in the value and the status of the value of the collaterals, please see "Risk Management—Credit Risk Management—Credit Risk Management of Corporate Loans" and "Risk Management—Credit Risk Management—Credit Risk Management for Retail Loans".	The Bank plans to establish a collateral management system to record and process standardized data for collateral, which will enable the Bank to produce the required information from the year ending December 31, 2019 and going forward.

Section Number	Disclosure Requirements(1)	Reason for a Waiver in Relation to the Specific Disclosure	Proposal for Disclosure	Expected Timing for Full Compliance
99	Sector information	The Bank maintains a breakdown of loans and advances to customers by industry sector as set out in the Classification and Codes of National Economic Industries in the Bank's loans system for the purpose of filing returns to the CBRC.	All of the Bank's loans and advances to customers are utilized in the PRC instead of in Hong Kong. The Bank is subject to the supervision of the CBRC and maintains a breakdown of loans and advances to customers by industry sector based on the classification system as prescribed by the CBRC, e.g., loans are categorized into corporate loans and personal loans which are further classified into detailed subcategories by industry/nature. The Bank has disclosed the loans and advances by industry sectors in accordance with the management reports prepared based on the CBRC classification in Note 22 to the Accountant's Report as set out in Appendix I of this prospectus. The Bank considers the current disclosure to be sufficient to meet HKMA's disclosure objectives.	N/A
102	An authorized institution shall disclose its non-HKD currency exposures which arise from trading, non-trading and structural positions in accordance with the return relating to non-HKD currency positions it submitted to the HKMA pursuant to section 63 of the Banking Ordinance in respect of the annual reporting period.	The Bank's accounts are prepared and denominated in RMB, which means that the Bank only discloses non-RMB currency exposures instead of non-HKD currency exposures.	N/A	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
16M	Additional annual disclosure to be made by an authorized institution using STC approach to calculate its credit risk for non-securitization exposures.	The computation basis for risks is promulgated by the CBRC as set out in the Core Indicators (Provisional).	The Bank provides information on relevant capital structure and information on adequacy level in accordance with the CBRC disclosure requirements. The Bank believes that these requirements result in disclosure similar to that required under the Banking (Disclosure) Rules.	N/A

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

Save as aforesaid, as a financial institution incorporated and based in the PRC, the Bank is required to comply with the regulatory requirements of the CBRC and the PBoC. Certain provisions of the Banking (Disclosure) Rules require disclosure in respect of the Bank's capital structure, capital base (in particular, the Bank's level of capital adequacy), international claims, liquidity ratios, PRC non-bank exposures and credit risks. The Bank has maintained and compiled data relating to these matters in accordance with the regulatory requirements of the CBRC and the PBoC. The Bank believes that the relevant requirements of the CBRC and the PBoC attempt to address similar disclosure considerations as those required under the Banking (Disclosure) Rules and the differences between the above disclosure requirements under the two regulatory regimes are minor and non-substantive. If the Bank is required to comply with the disclosure requirements under the Banking (Disclosure) Rules in addition to the disclosure requirements of the CBRC and the PBoC, the Bank would be required, in its view, to carry out additional work to compile similar information already required and maintained under the requirements of the CBRC and the PBoC. Therefore, in this regard, the Bank proposes to disclose information in compliance with the requirements of the CBRC and the PBoC instead of strictly following the disclosure regime provided for under the Banking (Disclosure) Rules to compile another set of similar data. The Bank is of the view that despite the differences between the requirements of the CBRC and the PBoC and the Banking (Disclosure) Rules, this prospectus contains sufficient information for investors to make fully informed investment decisions. The Joint Sponsors concur with the Bank's view based on the reasoning set out above.

Based on the above, the Bank has applied for, and the Hong Kong Stock Exchange has granted the Bank, a waiver from strict compliance with the requirements under Rule 4.10 of the Listing Rules, such that the Bank will not fully comply with the requirements in respect of the financial disclosures provided for under the Banking (Disclosure) Rules on the condition that (1) the Bank provides alternative disclosures in accordance with the regulatory requirements of the CBRC and the PBoC, and (2) the Bank shall comply with the requirements of Rule 4.10 of the Listing Rules as soon as it obtains the relevant information.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Rules 3.28 and 8.17 of the Listing Rules require the Bank's company secretaries to be individuals who by virtue of their academic or professional qualifications or relevant experience are, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of a 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).

The Bank has appointed Mr. Xu Jianping ("Mr. Xu") as one of the Bank's joint company secretaries. Mr. Xu joined the Bank in February 2012, and has served as the general manager of the Bank's corporate business department from June 2012 to February 2015. He has been the director of the Bank's general office (party committee office) since February 2015, the director of the office of the Board of Directors of the Bank since January 2017, a joint company secretary of the Bank since June 2017, the secretary of the Board of Directors since July 2017, and a vice president of the Bank since December 2017. For more details of Mr. Xu's biography, please refer to "Directors, Supervisors and Senior Management—Senior Management". Mr. Xu has extensive knowledge about the Bank's business operations and corporate culture and has extensive experience in matters concerning the Board and corporate governance of the Bank. However, Mr. Xu does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules. As a result, the Bank has appointed Ms. Hui Yin Shan ("Ms. Hui"), who possesses such qualifications and meets the requirements under Rule 3.28 of the Listing Rules, to act as the other joint company secretary of the Bank and to assist Mr. Xu 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. For more details of Ms. Hui's biography, please refer to "Directors, Supervisors and Senior Management—Joint Company Secretaries".

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

The Bank has applied for, and the Hong Kong Stock Exchange has granted the Bank, 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. Hui is engaged as a joint company secretary to assist Mr. Xu during this period. If Ms. Hui ceases to render assistance to Mr. Xu during this period, the waiver will be immediately withdrawn. Before the expiration of the initial three-year period, the Bank will further evaluate the qualification and experience of Mr. Xu to determine whether the requirements of Rules 3.28 and 8.17 of the Listing Rules have been satisfied. The Bank and Mr. Xu would then endeavor to demonstrate to the Hong Kong Stock Exchange that Mr. Xu, having had the benefit of Ms. Hui's assistance, has acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules and is no longer required to apply for an exemption.

WAIVER IN RELATION TO PUBLIC FLOAT

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

(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 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.

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

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

(a) the minimum public float shall be the higher of (i) 22.72%, the percentage of H Shares to be held by the public immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and (ii) such percentage of H Shares to be held by the public after the exercise of the Over-allotment Option, provided that the higher of (i) and (ii) above is below the minimum public float requirement of 25% under Rule 8.08(1)(a) of the Listing Rules;

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

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

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

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

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

Directors

Name	Address	Nationality
Executive Directors		
Mr. Li Xin (李鑫) (*chairman*)	703, No. 375 Jingning Road Chengguan District Lanzhou Gansu province the PRC	Chinese
Mr. Lei Tie (雷鐵)	1505, No. 714 Donggang West Road Chengguan District Lanzhou Gansu province the PRC	Chinese
Non-executive Directors		
Ms. Wu Changhong (吳長虹)	201, Entrance No. 2, Building No. 2, Jinduli China Construction Bank Jinchuan District Jinchang Gansu province the PRC	Chinese
Ms. Zhang Hongxia (張紅霞)	1, Building No. 1, Jingxiu Mansion Hong Kong Garden Block No. 16, Shaoxian Road Kundulun District Baotou Inner Mongolia Autonomous Region the PRC	Chinese
Mr. Li Hui (李輝)	No. 203 Dingxi Road Chengguan District Lanzhou Gansu province the PRC	Chinese
Mr. Guo Jirong (郭繼榮)	Room 301, Unit 2, Building No. 9, Dazhong Street, Xinhua Road Jiayuguan Gansu province the PRC	Chinese

Name	Address	Nationality
Mr. Zhang Youda (張有達)	No. 14, Unit 1, Building No. 60, Longjinli Jinchuan District Jinchang Gansu province the PRC	Chinese
Independent Non-executive Directors		
Mr. Chen Aiguo (陳愛國)	Room 201, No. 18 Lane 308 Yushan Road Pudong New Area Shanghai the PRC	Chinese
Ms. Tang Xiuli (唐岫立)	Room 1202, No. 45 Lane 99 Jinhe Road Pudong New Area Shanghai the PRC	Chinese
Ms. Luo Mei (羅玫)	Room 501, Unit 4, No. 7 Heqingyuan Tsinghua University Haidian District Beijing the PRC	Chinese
Mr. Wong Sincere (黃誠思)	Room E, 59/F, Tower 1 The Harbourside 1 Austin Road West Kowloon Hong Kong	Chinese
Supervisors		
Mr. Yang Qian (楊乾) (*chairman*)	1504, No. 189 Linxia Road Chengguan District Lanzhou Gansu province the PRC	Chinese
Mr. Xu Yongfeng (許勇鋒)	No. 4 Shijiaxiang Kongtong District Pingliang Gansu province the PRC	Chinese

Name	Address	Nationality
Mr. Luo Zhenxia (羅振夏)	Room 10, No. 279 Zhongxin Street Baiyin District Baiyin Gansu province the PRC	Chinese
Mr. Liu Yongchong (劉永翀)	Room 151, Unit 1, No. 8 Qiaonan Street Pingchuan District Baiyin Gansu province the PRC	Chinese
Mr. Li Yongjun (李永軍)	23/F, Building A, 6 Gongyuan West Street Dongcheng District Beijing the PRC	Chinese
Mr. Liu Xiaoyu (劉曉宇)	Room 503, No. 646 Gannan Road Chengguan District Lanzhou the PRC	Chinese
Mr. Zhu Xingjie (朱興杰)	No. 40 Changshou Street Ganzhou District Zhangye Gansu province the PRC	Chinese
Mr. Yang Zhenjun (楊振軍)	No. 2 Xianmen Street, Gongchang Town Longxi County Gansu province the PRC	Chinese
Mr. Dong Ying (董英)	Room 102, Unit 2, Building No. 1 No. 96 Qiyuan Road Liangzhou District Wuwei Gansu province the PRC	Chinese

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

Parties Involved in the Global Offering

Joint Sponsors	**CMB International Capital Limited** 45/F, Champion Tower 3 Garden Road Central, Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited Unit 5801-05 & 08-12, 58/F The Center 99 Queen's Road Central Hong Kong
	Guotai Junan Capital Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central, Hong Kong
Joint Global Coordinators	**CMB International Capital Limited** 45/F, Champion Tower 3 Garden Road Central, Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited Unit 5801-05 & 08-12, 58/F The Center 99 Queen's Road Central Hong Kong
	Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central, Hong Kong

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

Joint Bookrunners

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

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

Huatai Financial Holdings (Hong Kong) Limited
Unit 5801-05 & 08-12, 58/F
The Center
99 Queen's Road Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block
Grand Millennium Plaza
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Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
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Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Central, Hong Kong

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

	ICBC International Capital Limited 37/F, ICBC Tower 3 Garden Road Hong Kong
	China Silk Road International Capital Limited 2901, 29/F Two International Finance Center 8 Finance Street Central Hong Kong
Joint Lead Managers	**CMB International Capital Limited** 45/F, Champion Tower 3 Garden Road Central, Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited Unit 5801-05 & 08-12, 58/F The Center 99 Queen's Road Central Hong Kong
	Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central, Hong Kong
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Central, Hong Kong
	ABCI Securities Company Limited 10th Floor Agricultural Bank of China Tower 50 Connaught Road Central Central, Hong Kong

	ICBC International Securities Limited 37/F, ICBC Tower 3 Garden Road Hong Kong
	China Silk Road International Capital Limited 2901, 29/F Two International Finance Center 8 Finance Street Central Hong Kong
Legal Advisers to the Bank	*as to Hong Kong and U.S. laws:* **Latham & Watkins** 18/F, One Exchange Square 8 Connaught Place Central Hong Kong
	as to U.S. and E.U. sanctions law: **Latham & Watkins LLP** 555 Eleventh Street, NW Suite 1000 Washington, D.C. 20004-1304 U.S.A.
	as to Australian sanctions law: **King & Wood Mallesons** Level 61, Governor Phillip Tower 1 Farrer Place Sydney NSW 2000 Australia
	as to PRC law: **Grandall Law Firm (Shanghai)** 23-25/F, Garden Square 968 West Beijing Road Shanghai, the PRC
Legal Advisers to Joint Sponsors and Underwriters	*as to Hong Kong and U.S. laws:* **Paul Hastings** 21-22/F, Bank of China Tower 1 Garden Road Hong Kong

	as to PRC law: **King & Wood Mallesons** 40/F, Tower A Beijing Fortune Plaza 7 Dongsanhuan Zhonglu Chaoyang District Beijing, the PRC
Independent Auditor	**Shinewing Certified Public Accountants LLP** Registered Accountants 9/F, Block A Fu Hua Mansion No. 8 Chao Yang Men Bei Da Jie Dong Cheng District Beijing, the PRC
Reporting Accountants	**SHINEWING (HK) CPA Limited** *Certified Public Accountants* 43/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Compliance Advisor	**Guotai Junan Capital Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen’s Road Central Hong Kong
Internal Control Consultant	**Beijing Shinewing Management Consulting Co., Ltd** 9/F, Block A Fu Hua Mansion No. 8 Chao Yang Men Bei Da Jie Dong Cheng District Beijing PRC
Receiving Banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong **Wing Lung Bank Limited** 6/F, Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong

Registered Address and Address of Head Office	No. 122 Gannan Road Chengguan District Lanzhou Gansu province the PRC
Principal Place of Business in Hong Kong	18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Website	www.gsbankchina.com *(The contents of the website do not form part of this prospectus)*
Joint Company Secretaries	Mr. Xu Jianping (許建平) No. 525 Donggang West Road Chengguan District Lanzhou Gansu province the PRC Ms. Hui Yin Shan (許燕珊) *(ACIS, ACS)* 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. Li Xin (李鑫) 703, No. 375 Jingning Road Chengguan District Lanzhou Gansu province the PRC Ms. Hui Yin Shan (許燕珊) *(ACIS, ACS)* 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Board Committees	**Strategy and Development Committee** Mr. Li Xin *(chairman)* Mr. Lei Tie Ms. Zhang Hongxia Mr. Li Hui Mr. Chen Aiguo

Audit Committee
Ms. Luo Mei *(chairman)*
Ms. Wu Changhong
Mr. Guo Jirong
Mr. Chen Aiguo
Ms. Tang Xiuli

Nomination and Remuneration Committee
Mr. Chen Aiguo *(chairman)*
Mr. Li Xin
Mr. Lei Tie
Ms. Luo Mei
Mr. Wong Sincere

Related Party Transaction and Risk Management Committee
Mr. Wong Sincere *(chairman)*
Mr. Lei Tie
Mr. Zhang Youda
Ms. Luo Mei
Ms. Tang Xiuli

H Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

This section contains information relating to the industry in which we operate. We have derived such information, in part, from data relating to us which were prepared in accordance with IFRS. We also obtained relevant information from official or publicly available sources derived from data prepared in accordance with PRC GAAP or other applicable GAAP or accounting standards which may differ from IFRS in significant respects. In addition, the information provided by the official or publicly available sources may not be consistent with the information compiled by other third parties.

We believe the sources of this information to be appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the Joint Bookrunners, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. Accordingly, such information should not be unduly relied upon. Our Directors confirm that, after taking reasonable care, as of the Latest Practicable Date, there had been no material adverse change in the market information presented in this section.

OVERVIEW

China's Economy

China has experienced rapid economic growth since adopting the "reform and opening" policy in the late 1970s, and has become the world's second largest economy in terms of GDP since 2010. According to the NBSC, China's nominal GDP grew from approximately RMB48,930 billion to RMB74,413 billion from 2011 to 2016. Driven by China's economic growth, China's disposable income of urban households per capita grew from RMB21,810 to RMB33,616 from 2011 to 2016.

The table below sets forth China's nominal GDP, GDP per capita, disposable income of urban households per capita, fixed asset investment, and total import and export volume for the periods indicated:

	For the year ended December 31,						CAGR
	2011	2012	2013	2014	2015	2016	2011-2016
Nominal GDP (in billions of RMB)	48,930	54,037	59,524	64,397	68,905	74,413	8.8%
GDP per capita (in RMB)	36,403	40,007	43,852	47,203	50,251	53,980	8.2%
Disposable income of urban households per capita (in RMB)	21,810	24,565	26,467	28,844	31,195	33,616	9.0%
Fixed asset investment (in billions of RMB)	31,149	37,469	44,629	51,202	56,200	60,647	14.3%
Total import and export volume (in billions of U.S. dollar)	3,642	3,867	4,159	4,302	3,953	3,685	0.2%

Source: NBSC

After rapidly growing for more than 30 years, China's economy has now entered into a "New Normal" stage, transitioning from pursuing high GDP growth to optimizing its economic structure. Since November 2015, the PRC government has been implementing supply-side structural reforms focusing on new drivers for China's economic growth, such as a shift to higher-end consumption (through high-end products and services, among others) and urbanization.

In addition, the PRC government introduced the "Belt and Road" strategic vision in September 2013 and issued the initiative of *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road* in March 2015. These initiatives proposed the establishment of an economic belt including western China and spreading through Central Asia towards Europe, and a "Maritime Silk Road" beginning in coastal China and stretching across the South China Sea and East Africa.

Gansu Province's Economy

Gansu province is located in Northwest China and is an important energy and raw material industrial base for China, as well as a national comprehensive pilot zone for ecological security barriers. Gansu province's economy has grown rapidly, driven by PRC government policies such as the China Western Development Strategy and the "Belt and Road" initiative.

The PRC government has introduced various plans for the implementation of the "Belt and Road" initiative. According to the Catalogue of Industries Encouraged to Develop in the Western Region issued by NDRC in August 2014, Gansu province may impose a corporate income tax of 15% on enterprises in the western region whose principal businesses (i) are in an encouraged category of industries in the Catalogue of Industries Encouraged to Develop in the Western Region, and (ii) account for over 70% of the enterprise's total income for the year. Under these plans, Gansu serves as an important strategic platform for opening-up to the west, a golden passage along the Silk Road economic belt, a regional trade and logistics hub, a demonstrative base for industrial cooperation and a bridge for cultural exchange.

According to the NBSC, Gansu province's nominal GDP increased from approximately RMB502 billion in 2011 to RMB715.2 billion in 2016. The table below sets forth Gansu province's nominal GDP, GDP per capita, disposable income of urban households per capita, fixed asset investment and total import and export volume for the periods indicated:

	For the year ended December 31,						CAGR
	2011	2012	2013	2014	2015	2016	2011-2016
Nominal GDP (in billions of RMB)	502	565	633	684	679	715	7.3%
GDP per capita (in RMB)	19,595	21,978	24,539	26,433	26,165	27,458	7.0%
Disposable income of urban households per capita (in RMB)	14,989	17,157	19,873	21,804	23,767	25,693	11.4%
Fixed asset investment (in billions of RMB)	397	515	653	788	875	953	19.1%
Total import and export volume (in millions of U.S. dollar)	8,729	8,900	10,236	8,641	7,952	6,875	(4.7)%

Source: NBSC, Gansu Province Bureau of Statistics, National Economic and Social Development Statistics Bulletin of Gansu Province

Lanzhou's Economy

As a hub of communications in Northwest China, Lanzhou is the junction of Longhai Railway, Lanzhou-Xinjiang Railway, Baotou-Lanzhou Railway and Lanzhou-Qinghai Railway. In addition, Lanzhou–Xinjiang High-Speed Railway, Baoji-Lanzhou High-speed Railway, Lanzhou-Chongqing Railway and other high-speed railways have opened or are about to open to traffic. A number of "windows for opening up" have been established in Lanzhou, such as Lanzhou New Area Free Trade Zone and Lanzhou International Port District.

Lanzhou New Area, the first national-level new area in Northwest China, is positioned as a strategic platform for "Western Development" and an important national industrial base. Benefiting from the government's preferential regional development policies for the Guanzhong-Tianshui Economic Zone and Lanzhou-Xining-Golmud Economic Zone, the growth of Lanzhou City's nominal GDP, GDP per capita, disposable income of urban households per capita and other major economic indicators outperformed those of Gansu province overall in the past five years, providing substantial development potential.

The table below sets forth Lanzhou's nominal GDP, GDP per capita, disposable income of urban households per capita, fixed asset investment and total import and export volume for the years indicated:

	For the year ended December 31,						CAGR
	2011	2012	2013	2014	2015	2016	2011-2016
Nominal GDP (in billions of RMB)	136	156	178	191	210	226	10.7%
GDP per capita (in RMB)	35,570	43,175	50,301	52,378	56,972	61,207	10.3%
Disposable income of urban households per capita (in RMB)	15,953	18,443	20,767	23,030	27,088	29,661	13.2%
Fixed asset investment (in billions of RMB)	95	124	132	161	180	199	15.9%
Total import and export volume (in millions of U.S. dollar)	1,879	3,397	4,057	4,556	5,059	4,217	17.6%

Source: NBSC, National Economic and Social Development Statistics Bulletin of Lanzhou Municipality

CHINA'S BANKING INDUSTRY

Overview

China's banking industry has grown steadily in recent years, driven primarily by China's strong macroeconomic growth. The table below sets forth the aggregate amounts and CAGR of RMB-denominated and foreign-currency-denominated loans and deposits of China's banking institutions as of the dates indicated:

	As of December 31,						CAGR
	2011	2012	2013	2014	2015	2016	(2011-2016)
RMB-denominated bank loans (in billions of RMB)	58,189	67,287	76,633	86,787	99,346	112,055	14.0%
RMB-denominated bank deposits (in billions of RMB)	82,670	94,310	107,059	113,373	139,715	155,525	13.5%
Foreign-currency-denominated bank loans (in billions of U.S. dollar)	539	684	777	835	830	786	7.8%
Foreign-currency-denominated bank deposits (in billions of U.S. dollar)	275	406	439	573	627	712	21.0%

Source: PBoC

The table below sets forth certain information on China's banking industry as of the dates indicated:

	As of or for the year ended December 31,					
	2011	2012	2013	2014	2015	2016
Total assets (in billions of RMB)	113,287	133,622	151,355	172,336	199,345	232,253
Total liabilities (in billions of RMB)	106,078	124,952	141,183	160,022	184,140	214,823
Total shareholders' equity (in billions of RMB)	7,209	8,671	10,172	12,313	15,205	17,430
Net Profits (in billions of RMB)	1,041	1,239	1,418	1,555	1,593	1,649
Non-performing loan ratio (%)	1.0%	1.0%	1.0%	1.2%	1.7%	1.7%

Source: CBRC

Competitive Landscape of China's Banking Industry

The table below sets forth information on the banking institutions in China by type as of the dates or for the periods indicated:

	As of or for the year ended December 31, 2016						
	Number	Total assets	Market share	Shareholders' equity	Market share	Profit after tax	Market share
		(in billions of RMB, except number of institutions and percentages)					
The five largest commercial banks(1)	5	86,598	37.3%	6,672	38.3%	879	42.4%
National joint-stock commercial banks	12	43,473	18.7%	2,676	15.4%	353	17.0%
City commercial banks	134	28,238	12.2%	1,834	10.5%	224	10.8%
Rural financial institutions(2)	2,279	28,654	12.3%	2,023	11.6%	234	11.3%
Foreign banking institutions(3)	39	2,929	1.3%	372	2.1%	13	0.6%
Other banking institutions(4)	1,929	42,361	18.2%	3,854	22.1%	370	17.8%
Total	**4,398**	**232,253**	**100.0%**	**17,431**	**100.0%**	**2,073**	**100.0%**

Source: CBRC

Notes:

(1) Include Agricultural Bank of China Limited, Bank of China Limited, Bank of Communications Co., Ltd., China Construction Bank Corporation and Industrial and Commercial Bank of China Limited.

(2) Include rural commercial banks, rural credit cooperatives and rural cooperative banks.

(3) Include branches of foreign banking institutions, foreign invested banks, sino-foreign joint-venture banks and foreign invested finance corporations and their affiliates and branches.

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

City Commercial Banks

City commercial banks are banks with branches at the municipal or higher levels, established under the PRC Company Law (《中華人民共和國公司法》) and the PRC Commercial Banking Law (《中華人民共和國商業銀行法》) from predecessor urban credit cooperative institutions with the approval of the CBRC. City commercial banks emerged following the decision of central financial authorities to reform urban credit cooperative institutions and reduce local financial risks.

According to the CBRC, there were 134 city commercial banks in China as of December 31, 2016. We held an overall ranking of 11 among city commercial banks in China in 2016, according to the 2016 "GYROSCOPE" evaluation of China's commercial banks based on capability for stable development by the China Banking Association. Since their establishment, city commercial banks have promoted local economies, improved local financial systems and channels, maintained local financial stability, promoted market competition, facilitated local community financial services and eased financial pressure on local SMEs. According to the CBRC, the total assets of city commercial banks as a percentage of total assets of China's banking industry increased from 8.8% (or RMB9,984,500 million) as of December 31, 2011 to 12.2% (or RMB28,237,800 million) as of December 31, 2016, representing a CAGR of 23.1%. Utilizing their substantial experience in local markets and geographic advantages, city commercial banks are generally well-positioned to capture opportunities and market trends.

The table below sets forth certain information on city commercial banks in China as of the dates or for the periods indicated:

	As of or for the year ended December 31,					
	2011	2012	2013	2014	2015	2016
Total assets (in billions of RMB)	9,985	12,347	15,178	18,084	22,680	28,238
Total liabilities (in billions of RMB)	9,320	11,540	14,180	16,837	21,132	26,404
Total shareholders' equity (in billions of RMB)	664	807	997	1,247	1,548	1,834
Net Profits (in billions of RMB)	108	137	164	186	199	224
Non-performing loan ratio (%)	0.8%	0.8%	0.9%	1.2%	1.4%	1.5%

Source: CBRC

GANSU'S BANKING INDUSTRY

Overview

According to the CBRC, as of December 31, 2016, a total of 158 banking institutions were either incorporated, or had provincial-level branches, in Gansu, and total assets and net profits amounted to RMB2,449 billion and RMB24 billion respectively, with a CAGR of 17.2% and 21.7% as compared with December 31, 2011.

The table below sets forth certain information of Gansu province's banking industry as of the dates or for the periods indicated:

	As of or for the year ended December 31,					CAGR
	2012	2013	2014	2015	2016	(2012 -2016)
Total assets (in billions of RMB)	1,365	1,624	1,914	2,234	2,449	15.7%
Total liabilities (in billions of RMB)	1,323	1,567	1,837	2,135	2,346	15.4%
Total shareholders' equity (in billions of RMB)	41	57	77	99	103	25.9%
Non-performing loan ratio (%)	0.7%	1.7%	1.4%	1.8%	2.0%	N.A.

Source: Gansu Branch of CBRC

Competitive Landscape of Gansu Province's Banking Industry

As a provincial city commercial bank based in Gansu province, we mainly compete with other commercial banking institutions with operations in Gansu province. As of June 30, 2017, our total assets and total deposits from customers were RMB269,354.6 million and RMB186,931.5 million, respectively. For the six months ended June 30, 2017, our net profit was RMB2,045.8 million. We ranked 2nd in total assets and 3rd in total deposits from customers among banking institutions operating in Gansu province as of June 30, 2017, according to the PBoC.

The table below sets forth certain information of Gansu province's banking institutions as of or for the year ended December 31, 2016:

	Total assets		Total liabilities		Non-performing loans	
	Total	Market share	Total	Market share	Total	Market share
	(in billions of RMB, except for percentages)					
Large commercial banks[(1)]	679	27.7%	675	28.8%	9.2	28.5%
National joint-stock commercial banks	211	8.6%	210	8.9%	1.5	4.5%
City commercial banks[(2)]	501	20.5%	472	20.1%	3.5	10.9%
Other banking institutions[(3)]	1,057	43.2%	990	42.2%	18.1	56.1%
Total	**2,448**	**100.0%**	**2,347**	**100.0%**	**32.3**	**100.0%**

Source: Gansu Branch of CBRC
Notes:
(1) Include institutions incorporated in Gansu province or have branch in Gansu province.
(2) We are one of the two city commercial banks in Gansu province.
(3) Include rural financing institutions, rural credit cooperative institutions, rural commercial banks and rural cooperative banks.

We and Bank of Lanzhou are the only two city commercial banks established in Gansu province. The table below sets forth certain information of Bank of Lanzhou and us as of or for the period ended December 31, 2016:

	Total assets	Total equity	Operating income	Net profits	Total deposits	Total loans	Number of outlets
	(in millions of RMB, except the number of outlets)						
Our Bank	245,056	13,551	6,971	1,921	171,165	107,855	196
Bank of Lanzhou	257,364	16,453	6,068	2,126	211,093	125,033	140
Total	**502,420**[(1)]	**30,004**	**13,039**	**4,047**	**382,258**	**232,888**	**336**

Source: Annual Report of Bank of Lanzhou; public information
Note:
(1) The data of total assets of our Bank and Bank of Lanzhou in this table slightly differs from the data of total assets of city commercial banks in Gansu contained in the table sets forth certain information of Gansu Province's banking institutions as of December 31, 2016, mainly due to different sources of information.

LANZHOU'S BANKING INDUSTRY

Lanzhou's banking industry has grown rapidly. According to the CBRC, Lanzhou's banking institutions had total loans of RMB593 billion, RMB723 billion and RMB866 billion as of December 31, 2014, 2015 and 2016, respectively, representing a CAGR of 20.9%, and total deposits of RMB664 billion, RMB795 billion and RMB870 billion as of December 31, 2014, 2015 and 2016, respectively, representing a CAGR of 14.5%.

BUSINESS DRIVERS FOR THE BANK

We believe the following constitute our key business drivers:

- *Economic growth in the PRC and Gansu province*. Economic growth in the PRC and Gansu has led to more corporate financing activities and increases in personal wealth, which have driven the growth of our business.
- *Supportive government initiatives*. As the only provincial city commercial bank in Gansu province, we benefit from favorable government policies and the support of the Gansu government. For example, Gansu benefits from national strategic initiatives, including the

PRC government's "One Belt, One Road" and "Western Development" initiatives. In addition, the CBRC has taken measures to provide SMEs with increased access to financial products and services. See "—Industry Trends—Increasing Importance of SME Banking" for details. These favorable government policies have driven the growth in our SME business.

- *Increasing Demand for Retail Banking and Wealth Management Products and Services*. China's per capita income levels have increased rapidly in recent years. The growth of China's per capita income levels and personal wealth has increased demand for diversified retail banking and wealth management products and services, which in turn has driven the growth in our retail banking and wealth management businesses.
- *Development of China's capital markets*. The development of China's capital markets may allow us to expand our fee- and commission-based business and broaden the scope of securities in which we invest.

INDUSTRY TRENDS

Interest Rate Liberalization

Interest rate liberalization constitutes one of the core aspects of China's economic reforms. Interest rates on deposits and loans in China were historically set by and subject to restrictions established by the PBoC. In recent years, the PBoC has liberalized interest rates and promoted a market-oriented interest rate regime.

In July 2013 and October 2015, the PBoC removed the floor for loan interest rates and the ceiling on deposit interest rates for financial institutions, respectively. In addition, the Deposit Insurance Regulations (《存款保險條例》) came into effect on May 1, 2015, representing an important step towards interest rate liberalization in China.

In accordance with the Deposit Insurance Regulations, a depositor will be indemnified for deposits and interest in an aggregate amount up to RMB500,000. To lower borrowing costs and provide financial support to the PRC economy, the PBoC has lowered benchmark interest rates for RMB loans and deposits as well as the statutory reserve ratio applicable to RMB deposits several times in recent years.

As of the Latest Practicable Date, the one-year benchmark lending interest rate and the six-month to one-year benchmark deposit interest rate for financial institutions was 4.35% and 1.50%, respectively. Although these measures may afford banking institutions greater flexibility in setting interest rates, the overall impact of interest rate liberalization remains uncertain. Interest rate liberalization may intensify competition among PRC banks, which could reduce net interest margins and profitability and materially and adversely affect their financial condition and results of operations.

Increasingly Important Role of City Commercial Banks in China's Banking Industry

As opposed to national commercial banks, city commercial banks generally focus on providing banking services to institutions and individuals in approved geographic areas. Beginning in 2005, city commercial banks in China have been allowed to establish branches in different regions upon approval from the CBRC. In recent years, however, city commercial banks have faced tighter regulatory restrictions on business expansion beyond their approved regions.

According to the CBRC, as of December 31, 2016, there were 134 city commercial banks in China. From 2011 to 2016, total assets, total liabilities, total equity and net profits of PRC city commercial banks grew at CAGRs exceeding those of China's banking institutions overall. According to the CBRC, the total assets of PRC city commercial banks as a percentage of the total assets of China's overall banking institutions increased from 8.8% as of December 31, 2011 to 12.2% as of December 31, 2016.

City commercial banks have played an active role in maintaining regional financial stability, promoting market competition, facilitating access to financial services, and easing funding pressures for SMEs. Utilizing their understanding of local markets and relationships with local customers, city commercial banks are generally well-positioned to capture opportunities and market trends in local areas. In addition, some city commercial banks have begun to diversify their businesses by establishing consumer financial companies and financial leasing companies.

Enhanced Regulatory and Supervisory Scheme

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

- *Enhanced Supervision of Capital Adequacy.* In June 2012, the CBRC promulgated the Capital Administrative Measures, which require commercial banks to comply with Basel III capital adequacy requirements by the end of 2018 and meet phased-in targets during the transitional period.
- *Strengthened Risk Management*. In response to the international financial crisis in 2008, the CBRC promulgated risk management guidelines for commercial banks, including loan classification, risk evaluation and credit approval systems. Since 2016, the PBoC has adopted a Macro Prudential Assessment ("MPA") system, which requires PRC banking financial institutions to enhance control over various risks, including, among others, credit risk, liquidity risk and the risks relating to bond investment, interbank business, wealth management business, real estate industry, local government debt and Internet finance. Furthermore, in 2017, the PBoC began to include off-balance-sheet wealth management products into the MPA system, and urged financial institutions to enhance control over risks associated with off-balance-sheet businesses.
- *Increased Regulation of Credit Business*. CBRC promulgated regulations on the extension of credit to certain industries, including real estate, local government financing vehicles and products, such as wealth management products and interbank products.
- *Improved Corporate Governance*. CBRC encourages PRC banking institutions to establish modern corporate governance structures, including a board of directors with independent directors, an audit committee, a compensation and nomination committee and other special committees, and a board of supervisors. In addition, CBRC requires banking institutions to maintain independent internal audit bodies. In 2017, the CBRC also promulgated regulations to enhance the effectiveness of regulatory supervision, preventing and reducing financial risks and maintaining the stability of the banking industry through an enhanced regulatory framework, elimination of the sources of risks, enhanced offsite and onsite inspections, heightened supervision of information disclosure, enhanced regulatory penalties and strengthened accountability systems.

- *Enhanced Supervision of Internet Finance.* In March 2014, the PBoC suspended the use of virtual credit payment methods on third-party online payment platforms. PRC regulatory authorities have also promulgated regulations in recent years to enhance the supervision over Internet finance. For example, in February 2017, the CBRC issued guidance to clarify the standards and principles with respect to deposits made by online loan providers with commercial banks.

Increasing Importance of SME Banking

The provision of banking services to SMEs is the primary business of the PRC city commercial banks. In recent years, the five largest state-owned commercial banks and nationwide joint-stock commercial banks have also placed increasing emphasis on SME banking.

To facilitate the development of SMEs and help them meet their financing needs, the CBRC has taken measures to provide SMEs with increased access to financial products and services. These include the following:

- PRC commercial banks are encouraged to improve service quality, provide rich product portfolios and expand network coverage for SMEs. In addition, commercial banks whose SME loan business meets certain requirements enjoy preferential treatment in connection with establishing sub-branches.
- To increase the liquidity of commercial banks and encourage the extension of credit to micro and small enterprises, effective from October 24, 2015, the PBoC lowered the RMB deposit reserve ratio by an additional 0.5% for commercial banks that meet specific operating requirements and have extended a specified percentage of loans to borrowers in the "three rurals" sector or micro and small enterprises.
- The CBRC encourages PRC banking institutions to design loan products tailored to the needs of SMEs and adjust the maturity of these products to optimize the cash flows of SMEs.
- According to the State Council's Plan for Promoting the Development of Financial Inclusion (2016-2020) (推進普惠金融發展規劃（2016-2020年）) published on December 31, 2015, the PRC government will support the registration and issuance of SME bonds by commercial banks to increase the sources of financing for SMEs.

Driven by favorable government policies, SME financial services have become an increasingly important part of the commercial banking business in China's banking industry. According to statistics published by the PRC government, as of June 30, 2017, loans to SMEs totaled RMB22.6 trillion, representing 32.0% of all corporate loans of China's banking industry for the same period.

Development of Diversified Financial Products and Services and Integrated Operations

In recent years, depositors have transferred funds from banks to other intermediary financial institutions for use in direct investment, reducing deposit levels and borrowing demand. Financial disintermediation has prompted the transformation of China's banking industry and encouraged the development of more diversified fee- and commission-based products and services, such as investment banking, wealth management, investment services and other non-interest income businesses. Commercial banks also use their extensive customer networks to cooperate with other financial institutions, such as securities companies, financial leasing companies, insurance companies and trust companies, to sell financial products as agents on a commission basis.

In addition, PRC commercial banks have begun developing integrated business models in accordance with the CBRC regulations. Some commercial banks have acquired additional financial licenses by establishing or acquiring insurance companies, securities companies, financial leasing companies and consumer finance companies.

PRC commercial banks are generally prohibited from making equity investments in non-banking financial institutions and enterprises under PRC Commercial Banking Laws (《中國商業銀行法》). In April 2016, the CBRC, the Ministry of Science and Technology and the PBoC jointly launched an “investment and loan linkage” pilot program to allow selected commercial banks to make equity investments in science and technology start-up companies through their investment arms.

Commercial banks in China are expected to be allowed to provide even more diversified financial products and services in the future.

Increasing Demand for Retail Banking and Wealth Management Products and Services

China’s per capita income levels have increased rapidly in recent years. From 2011 to 2016, China’s disposable income of urban households per capita increased from RMB21,810 to RMB33,616. The growth of China’s per capita income levels has resulted in increased consumption and changes in lifestyles, resulting in increased demand for diversified retail banking products and services.

According to the 2017 China Wealth Report jointly published by Boston Consulting Group and Industrial Bank Co., Ltd., as of 2016 the number of high-net-worth households (i.e. households with investable financial assets exceeding RMB6 million) in China exceeded 2.1 million, representing a CAGR of approximately 21.0% from 2007 to 2016. Total investable financial assets held by such households account for about 43.0% of total investable financial assets in China. High-net-worth households are expected to grow at a CAGR of about 13.0% from 2016 to 2021.

In addition, demand for wealth management services has increased with growth in China’s personal wealth. PRC commercial banks have begun providing customized products and services for a growing class of high-net-worth retail customers.

As the investment approaches of high-net-worth customer groups become more sophisticated, their demands for investment and wealth management products and services have become more diversified. Increased demand for retail banking services and wealth management products and services is expected to drive the growth in the PRC banking industry in the foreseeable future.

Increasing Importance of Electronic Banking Services and Internet Finance

The development of IT and banking information systems has enabled PRC commercial banks to devise new self-service products and services through electronic banking. These products include internet banking, mobile banking, telephone banking, WeChat banking and direct banking platforms. Commercial banks seek to provide customers with more convenient access to banking services through an integrated network of physical outlets and electronic channels.

Increased internet penetration in the PRC has also led to growing demand for internet finance. Internet finance products and services, such as third-party online payments, peer-to-peer (“P2P”) microfinance platforms, crowdfunding and non-traditional electronic currencies, have brought new challenges and competitive pressure to traditional banking institutions.

Impact of the Development of China's Capital Market

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

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

OVERVIEW

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

PRINCIPAL REGULATORS

CBRC

Functions and Powers

CBRC is the principal regulatory authority in the PRC responsible for the supervision and regulation of banking institutions operating in the PRC, including commercial banks, urban credit cooperatives, rural credit cooperatives, other deposit-taking financial institutions, policy banks, as well as certain non-banking financial institutions. CBRC is also responsible for the supervision and regulation of the entities established by domestic financial institutions outside the PRC and the overseas operations of the above-mentioned banking and non-banking financial institutions.

Examination and Supervision

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

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

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

PBoC and Inter-departmental Coordination Joint Meeting for Financial Supervision

As the central bank of the PRC, PBoC is responsible for formulating and implementing monetary policies and maintaining the stability of the PRC financial markets.

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

Other Regulatory Authorities

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

LICENSING REQUIREMENTS

Basic Requirements

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

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

Significant Changes

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

Scope of Business

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

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

Establishment of Branches

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

Licensing Requirements for Small and Medium Rural Financial Institutions

Jingning Chengji Rural Bank is subject to licensing requirements regarding establishment of head office and branches, change in shareholders, launch of new businesses and director and senior management appointments under the Measures for the Implementation of Administrative Licensing Matters Concerning Small and Medium Rural Financial Institutions by the CBRC (《中國銀監會農村中小金融機構行政許可事項實施辦法》). During the Track Record Period and up to the Latest Practicable Date, Jingning Chengji Rural Bank complied with these requirements.

REGULATIONS ON PRINCIPAL COMMERCIAL BANKING ACTIVITIES

Lending

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

- On August 16, 2004, the PBoC and CBRC issued the Measures for the Management of Auto Loans (《汽車貸款管理辦法》), which was revised on August 4, 2015. According to the Measures, the term of auto loans (including the extension periods) may not be longer than five years, of which, the terms for second-hand auto loans (including the extension periods) may not be longer than three years, and the terms of loans to distributors may not be longer than one year. The amount of personal auto loans issued by a lender shall not exceed 80% of the price of the auto paid by the borrower, the amount of business auto loan shall not exceed 70% of the price of the auto paid by the borrower, and the amount of the second-hand auto loan shall not exceed 50% of the price of the auto paid by the borrower.
- On August 30, 2004, the CBRC promulgated 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》). According to the Guidelines, a commercial bank shall set risk policies on real estate loans. No commercial banks are allowed to grant land reserve loans to any borrower whose capital is not fully contributed or is seriously insufficient or whose operations or management is irregular, or grant loans to real estate projects without state-owned land use permit and relevant permits.
- On July 18, 2009, the CBRC issued the Guidelines on Project Financing Business. According to the Guidelines, banking financial institutions should require that those project assets and/or projected earnings or other rights of the project (which satisfy the conditions for being pledged) are pledged as security for project finance loans, and if necessary, the pledging of the equity interest of the project sponsor in the project company as guarantee for the loans. Moreover, the banking financial institutions should require that they be the first claimants in line for the commercial insurance taken out for the projects, or take other measures to effectively control the rights arising from the insurance indemnities. Banking financial institutions should designate a special account for borrowers to deposit all revenues from the financed projects, monitor the account, and in case of any abnormal changes in the account, investigate promptly and take appropriate measures.
- On December 22, 2009, the PBoC, CBRC, CSRC and CIRC jointly issued the Guiding Opinions on Further Supporting the Restructuring and Revitalization of Key Industries and Curbing Overcapacity in Certain Industries through Financial Services, which specify that credit guarantee and funds should be timely and efficiently provided for enterprises and projects that meet the requirements of the national plan for the adjustment and revitalization of key industries, meet market entry requirements and comply with the banks' lending principle; for projects that do not comply with national industry policies, market entry requirements and technical standards, and which do not have sufficient funds, credit should not be extended. Strict examination and approval should be conducted before loans are granted to the projects in industries with overcapacity.
- On February 12, 2010, the CBRC issued the Interim Measures for the Administration of Working Capital Loans. According to the Measures, commercial banks should reasonably and prudently estimate the actual capital needs of customers based on their business operations, and should not grant loans which are greater than the actual capital needs of the customers' business operations. Commercial banks should specify with the borrowers express and lawful use of loans. Working capital loans should not be used for fixed asset investment or equity investment or for areas or purposes where production or operation is expressly prohibited by the state.
- On February 12, 2010, the CBRC issued the Interim Measures for the Administration of Personal Loans. According to the Measures, the loan contract for personal loans should specify the use of loans, and commercial banks are prohibited from extending personal loans without designated use.

- On June 4, 2010, the CBRC issued the Guidelines for Commercial Banks on the Risk Management on Credit Extension to Group Clients. According to the Guidelines, the credit balance of a commercial bank to a single group borrower should not exceed 15% of the commercial bank's net capital. Otherwise, the commercial bank will be considered to have exceeded its risk bearing ability. In such situation, the commercial bank should take measures to diversify risks through syndication of loans, loan participation and transfer of loans. In line with prudent supervision requirements, the CBRC may lower the ratio of credit balance of any commercial bank to a single group borrower to the commercial bank's net capital.
- On September 29, 2010, the PBoC and CBRC issued the Notice of the PBoC and the CBRC on Issues concerning the Improvement of Differential Housing Credit Policies, which requires commercial banks to suspend the extension of housing loans to families who purchase third or more residential properties or to non-local residents who are unable to provide payment records of local tax or social security over one year. With respect to a first-time buyer of any commercial residential property, the minimum down payment ratio shall not be lower than 30%, while the minimum down payment for home buyers purchasing a second residential property is not less than 50%, and the interest rate should be no less than 1.1 times of the PBoC benchmark interest rates on loans.
- On September 17, 2012, the CBRC issued Administrative Measures for Loans to Rural Households. The Measures encourage rural financial institutions and banking financial institutions which extend loans to rural households to develop agricultural-related loan business, formulate relevant business strategies and enhance rural households' ability to control loan-related risks. It is also stipulated that loans to rural households shall be used in compliance with laws and regulations and related national policies, and banking financial institutions shall not offer loans to rural households who fail to specify the use of such loans.
- On February 26, 2013, the General Office of the State Council issued the Notice of the General Office of the State Council on Further Improvement in the Market Regulation and Control of Real Estate Market, which prohibits commercial banks from offering loans for new development projects to real estate developers who are engaged in illegal activities such as possession of idle land, land speculation, hoarding of properties and driving up of prices.
- On April 9, 2013, the CBRC issued the Guiding Opinions of the CBRC on Strengthening the Risk Control and Management of Loans to Local Government Financing Platforms in 2013, which require the banks to impose aggregate lending limits on local government financing platform companies ("LGFPCs") and banking financial institution legal persons should not expand the scale of lending of LGFPCs, and also provide that, for the LGFPCs with a cash flow coverage ratio lower than 100% or an asset-liability ratio higher than 80%, the proportion of their loans to total loans granted by the bank to all LGFPCs should not exceed that of the previous year, and that the bank should take measures to gradually reduce the granting of loans and step up efforts to collect such loans.
- On September 21, 2014, the State Council issued Under the Opinions of the State Council on Strengthening the Administration of Local Government Debts, stipulating that financial institutions should not provide financing to or seek guarantees from local governments in violation of applicable laws or regulations. Subscription of bonds issued by local governments by financial institutions should be in compliance with regulatory requirements. When providing financing to governments or enterprises whose debt may become the government's contingent liabilities should strictly regulate credit management by enhancing risk identification and risk management. Financial institutions shall bear all losses incurred as a result of providing financing to governments in violation of applicable laws or regulations. The Circular of the MOF, PBoC and CBRC on Properly Resolving Subsequent Financing Issues of the On-going Projects of Local Government Financing Vehicles was forwarded by the General Office of the State Council on May 11, 2015 and came into force on the same day, requiring local governments at all levels and banking financial institutions to support the existing financing needs of on-going projects of LGFDCs to ensure their orderly development with the objective of 'controlling the total amount and providing tailored treatment.' For loans of on-going projects of LGFDCs,

banking financial institutions should independently determine, independently bear risks and to improve the management of loans based on prudent estimation of the repayment ability of LGFDCs and the revenue from on-going projects of the LGFDCs and also consider the repayment ability of the local government. Banking financial institutions should exercise caution when reviewing where loans are extended and focus on supporting irrigation and water conservancy facilities, affordable housing projects, urban rail transit and other areas of on-going projects of LGFDCs, to ensure that the loans are in line with industrial development needs and industrial park development plans.

- On September 29, 2014, the PBoC and the CBRC issued the Notice on Issues concerning the Further Improvement of Housing Financial Services, which sets the minimum down payment ratio at 30% and the minimum interest rate at 0.7 times the PBoC benchmark interest rates for loans to a first-time home buyer for self-use, with the specific terms to be independently determined by banking institutions in accordance with the risk profiles. Banking institutions should apply the policies for first homebuyers to families who already own a residential property, have fully repaid the relevant residential mortgage loans, and are applying for a loan to purchase another ordinary residential property to improve their living conditions. In cities that have cancelled or have not imposed property purchase restrictions, for families that own two or more residential properties, have repaid in full all relevant loans and apply for a loan to purchase another residential housing, banking institutions shall prudently determine the down payment ratio and the interest rate, taking into account the borrower's repayment ability and credit standing.
- On February 10, 2015, the CBRC issued the latest revised Guidelines on Risk Management for Acquisition Financing by Commercial Banks. According to the Guideline, the total balance of acquisition financing of commercial banks shall not exceed 50% of their net tier-one capital in the same period; the balance of commercial banks' acquisition financing to single borrowers shall not exceed 5% of their net tier-one capital in the same period; and the proportion of acquisition financing to the consideration of M&A transactions shall not exceed 60%. In addition, the term of acquisition financing shall not exceed 7 years.
- On March 30, 2015, PBoC, the Ministry of Housing and Urban-Rural Development and the CBRC issued the Notice on Issues concerning Housing Loan Policies for Individuals, which provides that if a household owns one residential property but has not fully repaid the corresponding mortgage loan and then applies for a commercial housing loan to purchase an ordinary residential property to improve living conditions, the minimum down payment ratio shall be adjusted to not less than 40%. The specific amount of the down payment and interest rate shall be determined by the relevant banking institutions based on factors including the credit standing and solvency of the borrowers.
- On September 24, 2015, PBoC and CBRC issued the Notice on Issues concerning the Further Improvement of Differential Housing Credit Policies, which 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 property purchase restriction policies.
- On February 1, 2016, PBoC and CBRC issued the Notice of the PBoC and CBRC on Issues concerning the Adjustment on Residential Mortgage Loan Policies, which requires that in cities that have not imposed property purchase restriction policies, the minimum down payment ratio for personal commercial housing loans provided to families for the first-time purchase of ordinary housing shall in principle be 25%, which may be adjusted downwards locally by 5 percentage points. The minimum down payment ratio shall be adjusted to no less than 30% for households possessing one residential property with outstanding loans but applying for more commercial housing loans to purchase ordinary housing to improve living conditions. In cities that have imposed property purchase restriction policies, the residential mortgage loan policies shall be carried out in accordance with the existing stipulations.

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

Foreign Exchange Business

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

Securities and Assets Management Business

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

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

The Management Measures for Custody of Securities Investment Funds published by CSRC and CBRC on April 2, 2013, provide that a commercial bank may, with approval, 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 for the most recent three fiscal years and if its risk control indicators such as capital adequacy ratio meet the relevant regulatory requirements.

Insurance Agency Business

Commercial banks in the PRC are not permitted to underwrite insurance policies, but are permitted to act as agents to sell insurance products through their distribution networks. Commercial banks that conduct agency sales of insurance products are required to comply with applicable rules issued by the CIRC. On November 1, 2010, the CBRC issued the Notice on Further Strengthening Compliant Sales and Risk Management of Commercial Bank's Bancassurance Business, which stipulates that each outlet of a commercial bank may, in principle, cooperate with no more than three insurance companies in a fiscal year to sell their insurance products. If the outlet cooperates with more than three insurance companies, the outlet must report to the local branch of CBRC. On April 25, 2016 the CIRC issued the Notice on the Issues Relating to the Administrative Permits of Banks Engaging in Insurance Agency Business, which stipulates that upon the obtaining of the licenses for insurance agency business by the banking institutions, outlets of banking institutions may provide insurance agency services based on the authorization of legal entities.

Wealth Management

On September 24, 2005, the CBRC issued the Interim Measures on Administration of the Personal Wealth Management Services of Commercial Banks, which requires the implementation of an approval system and reporting system when conducting personal wealth management business, and stipulates that the approval of CBRC is required for the offering by commercial banks of wealth management plans with guaranteed returns, new investment products with guaranteed returns designed for conducting personal wealth management business and certain other personal wealth management products business which require the approval of CBRC. The conducting of other personal wealth management business activities which do not require prior approval shall also be reported to the CBRC or its local offices.

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

On March 25, 2013, the CBRC issued the Notice on Standardizing Certain Issues related to the Investment Operation of Wealth Management Business of Commercial Banks, requiring that commercial banks should achieve a connection between each wealth management product and the investment assets (the subject matter), and that at any time, the balance of wealth management funds that invested in non-standard debt assets of a commercial bank should not exceed (i) 35% of the balance of their wealth management products, or (ii) 4% of its total assets disclosed in the audited annual financial statements report for the last financial year, whichever is lower.

Bills Business

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

Interbank Business

On April 24, 2014, the PBoC, the CBRC, the CSRC, the CIRC and the SAFE jointly issued the Circular on Regulating Inter-bank Businesses of Financial Institutions, which sets out certain requirements in connection with the regulation of inter-bank business operations.

- the Circular defines and regulates interbank investment and financing businesses and interbank investment business, including interbank lending, interbank deposits, interbank borrowing, interbank payments, financial assets held under resale agreements (financial assets sold under repurchase agreements); and the Circular also requires that interbank businesses (with investment and financing being the core businesses) should be classified into different categories in accordance with their substance, and should be managed based on such classification;
- financial assets held under resale agreements (financial assets sold under repurchase agreements) should only include bank acceptance bills, bonds, treasury bills and other financial assets with a reasonable fair value and high liquidity that are traded on the interbank market or securities exchange market;
- financial institutions that engage in the business of financial assets held under resale agreements (financial assets sold under repurchase agreements) and inter-bank investment business shall not accept or provide any direct or indirect, explicit or implicit credit guarantee from or for any third-party financial institutions, except as otherwise permitted by the central government;
- interbank investments of financial institutions should accurately measure risks and set aside capital and make provisions pursuant to the principle of "substance over form" and according to the nature of the underlying assets invested;
- financial institutions engaging in interbank businesses should determine the term of financing in a reasonable and prudent manner. The term of interbank borrowings may not exceed three years and the term of other interbank financings should not exceed one year, and such terms may not be extended upon their maturity;
- the net interbank financing volume (excluding interbank deposits for settlement purposes) from a commercial bank to another legal entity financial institution after deducting assets with zero risk weighted financial assets should not exceed 50% of the bank's tier-one capital; and the net balance of interbank funds borrowed by a single commercial bank may not exceed one third of its total liabilities. Such provisions have currently not been implemented for provincial rural credit cooperatives, provincial level second-level rural credit cooperatives with legal person status and village and township banks;
- financial institutions engaging in interbank businesses should establish a sound risk management system and internal control system and adopt proper accounting treatment methodology.

Electronic Banking

In order to strengthen the security and risk management of e-banking business, the CBRC promulgated the Measures for the Administration of Electronic Banking and the Guidelines for the Assessment of Electronic Banking Safety on January 26, 2006. Banking financial institutions may engage in electronic banking with the approval of the CBRC. Banking financial institution that apply for the establishment of an e-banking business should have a sound risk management system and an internal control system, and no major accidents should have occurred in the major information management systems and business process systems of such banking financial institutions one year prior to the application. In addition, all banking financial institutions that operate electronic banking are required to take security measures to ensure the confidentiality of information and prevent the unauthorized use of e-banking accounts.

On August 9, 2011, the CBRC promulgated the Notice on Strengthening the Management of Customer Information in Electronic Banking, which requires commercial banks to attach a high level of importance to customer information security and confidentiality; commercial banks may not directly or indirectly provide customer sensitive information to third party organizations without the customer's authorization to the entity.

Credit Card Business

On January 13, 2011, the CBRC promulgated the Measures for the Supervision and Administration of Credit Card Business of Commercial Banks, which stipulates that commercial bank which commence credit card business should have effective internal control and risk management systems, to monitor the credit card business operations, and protect the legal rights and interests of customers and personal information security. Commercial banks shall also fully disclose the risks associated with the use of credit cards to customers, and establish and improve the corresponding complaint handling mechanism, and also obtain the prior approval of the CBRC.

Proprietary Investments

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

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

On December 5, 2013, the CBRC issued the Notice on Establishment of Community Sub-Branches and SME Sub-Branches by Small- and Medium-sized Commercial Banks, 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.

Small and Micro Enterprises Financing

On October 31, 2014, the State Council issued the Opinions on Supporting the Healthy Development of Small and Micro Enterprises, to encourage and guide banks to focus on supporting small and micro enterprises and regional economic development, and require each banking financial institution to separately list small and micro enterprise credit schemes on the basis that such business can be sustainable and risks effectively controlled.

On June 22, 2015, the CBRC issued the Notice from CBRC to Further Implement Financial Service Supervising Policy of Small and Micro Enterprises, which proposes certain requirements on insisting problem-oriented, ensuring the implementation of policies, clarifying the emphasis of support, increasing the input of credit and loans, advancing the innovation of loan services, enlarging the scope of autonomously renewing loans, improving tolerance indicator of non-performing assets, strengthening differentiated assessment, improving the service ability, and standardizing service charges, for the purpose of further implementing regulatory supporting policies and continually improving and deepening financial services to small and micro enterprises.

Internet Finance

On July 18, 2015, PBoC, CBRC, MIIT and other ministries jointly issued the Guiding Opinions on Promoting Healthy Development of Internet Finance with an aim to promote financial reform and innovation and the healthy development of internet finance by providing the following guidelines: (i) encouraging innovations and supporting the stable development of internet finance; (ii) providing separate guidelines and specifying supervision responsibility regarding internet finance; and (iii) optimizing systems and regulating the order of internet finance market.

Certificates of Deposit Business

Pursuant to the Provisional Measures on Management of Certificates of Deposit promulgated by the PBoC on June 2, 2015 and amended on June 3, 2016, which regulates the development of certificates of deposit business, 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. Banks should develop a self-regulated pricing system to determine the interest rates of certificates of deposit based on market develop conditions and the relevant rules.

PRICING OF PRODUCTS AND SERVICES

Interest Rates for Loans and Deposits

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

On July 20, 2013, PBoC removed the minimum interest rate requirement for new loans provided by commercial banks, while 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 home buyers should apply if a family already owned a residence, had fully repaid the relevant loan, and applied for a loan to purchase another ordinary commercial residence to improve living condition.

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

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

The following table sets forth the PBoC benchmark interest rates for RMB-denominated loans since 2014.

						Housing provident fund loan	
Adjustment date	**Six months or below**	**Six months to one year (inclusive)**	**Over one to three years (inclusive)**	**Over three to five years (inclusive)**	**Over five years**	**Five years or below**	**Over five years**
			(Annualized interest rate: %)				
November 22, 2014	5.60	5.60	6.00	6.00	6.15	3.75	4.25
March 1, 2015	5.35	5.35	5.75	5.75	5.90	3.50	4.00
May 11, 2015	5.10	5.10	5.50	5.50	5.65	3.25	3.75
June 28, 2015	4.85	4.85	5.25	5.25	5.40	3.00	3.50
August 26, 2015	4.60	4.60	5.00	5.00	5.15	2.75	3.25
October 24, 2015	4.35	4.35	4.75	4.75	4.90	2.75	3.25

Source: the PBoC

The following table sets forth the PBoC benchmark interest rates for RMB-denominated deposits since 2014.

Adjustment date	Demand deposit	Time deposit: Three months	Six months	One year	Two years	Three years	Five years
		(Annual interest rate: %)					
November 22, 2014	0.35	2.35	2.55	2.75	3.35	4.00	N/A(1)
March 1, 2015	0.35	2.10	2.30	2.50	3.10	3.75	N/A
May 11, 2015	0.35	1.85	2.05	2.25	2.85	3.50	N/A
June 28, 2015	0.35	1.60	1.80	2.00	2.60	3.25	N/A
August 26, 2015	0.35	1.35	1.55	1.75	2.35	3.00	N/A
October 24, 2015	0.35	1.10	1.30	1.50	2.10	2.75	N/A

Source: the PBoC

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

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

Pricing for Fee and Commission-based Products and Services

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

Statutory Deposit Reserve

Commercial banks are required to maintain a percentage of their total deposits as reserves with the PBoC to ensure they have sufficient liquidity to meet customer withdrawals. As of the latest practicable date, the Bank is required to reserve 13.5% of the total amount of RMB deposits according to relevant regulations of the PBoC.

The following table sets forth the statutory deposit reserve ratio for RMB applicable to the Bank since 2014.

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

Source: the PBoC

SUPERVISION OF CAPITAL ADEQUACY

Latest CBRC Supervisory Standards regarding Capital Adequacy

On February 23, 2004, CBRC issued the Capital Adequacy Ratio Measures which became effective on March 1, 2004 and was amended on July 3, 2007. The Capital Adequacy Ratio Measures require commercial banks to maintain a minimum capital adequacy ratio of 8% and a minimum core capital adequacy ratio of 4%. Prior to January 1, 2013, the Bank was required to comply with the Capital Adequacy Ratio Measures.

On June 7, 2012, the CBRC issued the Capital Administrative Measures with reference to Basel III to replace the Capital Adequacy Ratio Measures. The Capital Administrative Measures have been in effect since January 1, 2013.

Under the Capital Administrative Measures, capital adequacy ratios are calculated according to the following formulae:

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

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

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

In the preceding formulae:

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

Regulatory Requirements in respect of Capital Adequacy Ratios

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

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

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

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

In addition, the systematically important banks in the PRC are required to calculate and set aside additional capital in an amount equal to 1% of their risk-weighted assets, which is to be fulfilled by core tier 1 capital. If a PRC bank is recognized as a global systematically important bank, the additional capital requirement applicable to it cannot be less strict than those requirements generally provided for by the Basel Committee. As of the Latest Practicable Date, China's regulatory authorities had not issued any list of systematically important banks.

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

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

Time Limit for Meeting the Requirements

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

To ensure the smooth implementation of the Capital Administrative Measures, on November 30, 2012 the CBRC issued the Notice Regarding the Arrangement of Transition Period of Implementation of the Administrative Measures for the Capital of Commercial Banks (Provisional) (《關於實施<商業銀行資本管理辦法(試行)>過渡期安排相關事項的通知》). This notice provides that commercial banks must meet the minimum capital requirements and also provides that 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:

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

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

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

CBRC's Supervision of Capital Adequacy

CBRC is responsible for supervising the capital adequacy of banking institutions in the PRC, reviewing and evaluating banking institutions' capital adequacy through both on-site examination and off-site monitoring. We report our capital adequacy ratios to the CBRC on a quarterly basis.

We have formulated a capital replenishment plan setting forth our capital management principles, goals and measures in accordance with CBRC requirements. Pursuant to the plan, we aim to maintain a core tier-one capital adequacy ratio of at least 9%, a tier-one capital adequacy ratio of at least 9% and a capital adequacy ratio of at least 12% in 2017, 2018 and 2019. We seek to enhance our capital adequacy by diversifying our channels to replenish capital, improving our profitability and optimizing our capital structure in accordance with the plan.

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

Categories	Capital adequacy	Measures of CBRC
Grade I	Commercial banks which meet all the capital requirements for capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio.	• to require the commercial bank to improve the analysis and forecast of the reasons for the decrease of its capital adequacy ratios; to require the commercial bank to formulate a practicable capital adequacy ratio management plan; and • to require the commercial bank to improve its risk control capability.

Categories	Capital adequacy	Measures of CBRC
Grade II	Commercial banks which fail to meet the second pillar capital requirements but meet all other capital requirements for capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio.	• to adopt the regulatory measures for Grade I banks; • to conduct talks on prudent practice with the board of directors and the senior management of the commercial bank; • to issue a regulatory opinion, including the problems identified with the capital management of the commercial bank, the proposed measures for rectification and the opinion on meeting the requirements within the prescribed time limit; • to require the commercial bank to formulate a practicable capital replenishment plan and the plan for meeting the requirements within the prescribed time limit; • to increase the frequency of supervision and inspection of the capital adequacy of the commercial bank; and • to require the commercial bank to take risk-mitigation measures for specific risk areas.
Grade III	Commercial banks which meet all the minimum capital requirements for capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio but fail to meet other capital requirements.	• to adopt the regulatory measures for Grades I and II banks; • to restrict the commercial bank from distributing dividends and other income; • to restrict the commercial bank from granting any form of incentives to directors and senior management; • to restrict the commercial bank from making equity investments or repurchasing capital instruments; • to restrict the commercial bank from incurring major capital expenditure; and • to require the commercial bank to control the growth of risky assets.
Grade IV	Commercial banks which fail to meet the minimum capital requirement for any of capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio.	• to adopt the regulatory measures for Grade I, II and III banks; • to require the commercial bank to significantly downsize risky assets; • to order the commercial bank to suspend all high-risk asset businesses; • to restrict or prohibit the commercial bank from establishing new institutions or launching new businesses; • to compulsorily require the commercial bank to write down tier 2 capital instruments or convert them into ordinary shares; • to order the commercial bank to change its directors or senior management or restrict their rights; • to take over the commercial bank or procure the institutional reorganization of, or even dissolve, the commercial bank in accordance with applicable laws; and • to comprehensively consider external factors and take other necessary measures.

Note: (1) As of December 31, 2016, the Bank was a Grade II 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, the CBRC revised the Administrative Measures on the Leverage Ratio of Commercial Banks (《商業銀行槓桿率管理辦法》) (the "Administrative Measures on the Leverage Ratio"), which came into effect on April 1, 2015.

Pursuant to these Measures, commercial banks are required to maintain a leverage ratio not lower than 4%, whether or not on a consolidated basis. The leverage ratio is calculated according to the following formula:

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

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

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

Basel Accords

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

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

In response to the deficiencies in financial regulation system revealed by the 2008 financial crisis, the Basel Committee on Banking Supervision started to advance the global financial regulatory reform in an effort to further strengthen the regulation, supervision and risk management of the banking industry. Under such circumstances, Basel III was drafted and endorsed by G20 at their November 2010 Seoul summit. On December 16, 2010, Basel III was officially issued by the Basel Committee on Banking Supervision. Basel III: (i) strengthens capital adequacy in capital resources, risk-weighted assets and capital ratios and requires banks to hold more higher-quality capital against more conservatively calculated risk-weighted assets; (ii) introduces a new leverage ratio as a backstop to the risk-based requirement of capital adequacy ratio, which is aimed at promoting the build-up of capital that can be drawn down in periods of stress; and (iii) introduces two new global liquidity standards, which aim to ensure that adequate funding is maintained in case of crisis.

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

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

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

Loan Loss Allowance

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

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

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

CBRC's Supervision of Loan Classification and Loan Loss Allowance

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

Bulk Transfer of Non-performing Assets

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

Loan Write-offs

Under the regulations issued by CBRC, PBoC and MOF, commercial banks are required to establish a strict audit and approval process to write off loan losses. In order to be written off, a loan needs to meet the standards set by MOF. Losses realized when writing off loans are deductible before tax, but it must be reviewed and approved by the tax authorities.

Allowance and Statutory General Reserve for Impairment Losses

On March 30, 2012, MOF issued the Administrative Measures for the Provisioning for Reserves of Financial Institutions (《金融企業準備金計提管理辦法》), which requires that, in principle, the general statutory reserve shall be no less than 1.5% of the risk-bearing assets at the balance sheet date of the financial institutions. Financial institutions that have adopted the standardized approach to calculate the statutory general reserve should temporarily use the following standard risk weightings for credit assets: 1.5% for normal loans, 3% for special mention loans, 30% for substandard loans, 60% for doubtful loans and 100% for loss loans. If the level of general reserve of a financial institution fails to reach 1.5% of the aggregate amount of risk-bearing assets at the balance sheet date on a one-off basis, the financial institution will be allowed to achieve compliance within a certain period of time not exceeding five years in principle.

Other Operational and Risk Management Ratios

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

The following table sets out the ratio of the Core Indicators (Provisional) and the ratios of the Bank as of December 31, 2014, 2015, 2016 and June 30, 2017 or for the years or half year ended the same dates which are calculated in accordance with non-combined benchmark and PRC GAAP.

				Ratios of the Bank (%)			
				As of or for the year ended December 31,			As of or for the six months ended June 30,
Indicator categories	**Primary indicators**	**Secondary indicators**	**Requirement (%)**	**2014**	**2015**	**2016**	**2017**
Risk Level							
Liquidity Risk	Liquidity ratio	RMB	≥25	42.07	43.91	42.46	49.79
	Core liability ratio		≥60	59.65	58.16	62.82	58.41
	Liquidity gap ratio		≥(10)	62.04	54.53	41.26	38.49
Credit risk	Non-performing asset ratio		≤4	0.17	0.98	0.86	1.04
		Non-performing loan ratio	≤5	0.39	1.77	1.81	1.63
	Credit exposure to a single group customer		≤15	11.41	9.35	13.40	7.28
		Loan exposure to a single customer	≤10	6.98	9.35	9.31	4.85
	Overall credit exposure to related parties		≤50	20.37	7.08	16.94	7.64
Market risk	Cumulative foreign currency exposure ratio		≤20	0	0.29	0.35	1.00
Risk Cushion							
Profitability	Cost-to-income ratio		≤35	29.74	28.83	25.29	20.71
	Return on assets		≥0.6	0.87	0.69	0.84	1.59
	Return on capital		≥11	12.16	11.37	15.10	28.50
Allowance Adequacy	Allowance adequacy ratio for asset losses		>100	787.64	356.06	521.09	444.55
		Allowance adequacy ratio for loan	>100	357.56	N/A	N/A	N/A
Capital adequacy	Capital adequacy ratio		≥10.1	10.55	11.42	11.80	11.49
		Tier-one capital adequacy ratio	≥8.1	9.85	8.57	8.58	8.55
		Core tier-one capital adequacy ratio	≥7.1	9.85	8.57	8.58	8.55

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

As of December 31, 2014 and 2015 and June 30 and September 30, 2017, our core liability ratio was 59.65%, 58.16%, 58.41% and 54.74%, respectively. Our failure to meet the core liability ratio was primarily caused by increases in non-core liabilities as we increased borrowings in the interbank market to diversify our funding sources. We believe that failure to meet the core liability ratio does not expose us to any immediate material issues with respect to our liquidity ratio. Core liability ratio has ceased to be a regulatory indicator under 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）) since March 2014.

Grandall Law Firm (Shanghai), our PRC legal adviser, has advised that no penalties regarding non-compliance with the core liability ratio are stipulated in the Core Indicators (Provisional). As stated in the Core Indicators (Provisional), except as otherwise required by laws, administrative rules and department regulations, core indicators shall not constitute a direct basis for administrative penalties. In accordance with the Administrative Measures on the Liquidity Risk of Commercial Banks (Trial) promulgated by CBRC (商業銀行流動性風險管理辦法（試行）), issued on January 17, 2014, with effect from March 1, 2014 and amended on September 2, 2015, the core liability ratio ceased to be a regulatory indicator. Accordingly, our PRC legal advisor believes that failure to meet the core liability ratio will not expose our Bank to any direct and material liquidity risks.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

Corporate Governance

The PRC Company Law, the PRC Commercial Banking Law and other laws, regulations and regulatory documents set out specific requirements regarding corporate governance. The Corporate Governance Guidelines issued by CBRC on July 19, 2013 requires commercial banks to establish a sound corporate governance system and a clear organizational structure, with management and supervisory powers, functions and responsibilities being clearly split among the board, the supervisory board and the senior management.

In terms of the composition of the board of directors, according to the Guidelines on the Duties of the Board of Directors of Joint Stock Commercial Banks (Provisional) (《股份制商業銀行董事會盡職指引(試行)》) issued by CBRC, a commercial bank with a registered capital exceeding RMB1 billion should have at least three independent directors. In terms of the composition of the board of supervisors, according to the Guidelines on the Functioning of Supervisory Board of Commercial Banks (《商業銀行監事會工作指引》) issued by CBRC, the proportion of employees representative supervisors and that of external supervisors of commercial banks should be not less than one-third of the supervisory board. In addition, the Guidelines on Independent Directors and External Supervisors of Joint Stock Commercial Banks (《股份制商業銀行獨立董事和外部監事制度指引》) require that the board of directors of a commercial bank should have at least two independent directors and the supervisory board at least two external supervisors.

Internal Controls

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

On July 19, 2013, CBRC promulgated the Corporate Governance Guidelines (《公司治理指引》), pursuant to which commercial banks are required to establish an accountability system for a sound internal control environment. Under this system, the board of directors and senior management are required to maintain their respective accountability for the effectiveness of internal control and are required to be liable for material losses caused by a breakdown in internal control. Moreover, the supervisory board is required to perform its supervisory obligations by supervising the directors and senior management, refining the system and rules of internal control and performing supervisory duties in internal control. Commercial banks are required to establish a relatively independent supervision and evaluation department in internal control that is responsible for effectively supervising and evaluating system construction and implementation of internal control and the department can report directly to the board of directors, supervisory board and senior management.

On April 16, 2016, CBRC issued the Internal Audit Guidelines for Commercial Banks which requires that the board of directors of a commercial bank should have an audit committee of not less than three members and most of whom should be independent directors. Commercial banks must also set up an independent internal audit department with sufficient internal auditors, who should not be less than 1% of the total number of employees in principle.

Information Disclosure Requirements

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

Related Party Transactions

The Administrative Measures on Related Party Transactions with Insiders and Shareholders of Commercial Banks (《商業銀行與內部人和股東關聯交易管理辦法》) was issued by CBRC on April 2, 2004, which provided stringent and detailed requirements on the related party transactions of PRC commercial banks. Such measures require PRC commercial banks to adhere to the principles of honesty and fairness in conducting related party transactions. PRC commercial banks are not allowed to grant unsecured loans to related parties. Related party transactions of commercial banks are required to be based on commercial principles and on terms no more favorable than similar transactions with non-related parties.

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

Risk Management

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

Supervisory Rating System

On December 30, 2005, CBRC issued the Internal Guidelines for Regulatory Rating of Commercial Banks (tentative) which requires all commercial banks legally established in China (not applicable to newly-established commercial banks) to undergo an assessment conducted by CBRC based on a provisional supervisory rating system. Under such guidance, the capital adequacy, asset quality, management quality, profitability, liquidity and exposure to market risk, etc. of commercial banks are evaluated and scored by CBRC on a continuous basis. Each bank is classified into one of six supervisory rating categories based on the scores. The results of ratings will serve as the basis for the regulatory authorities to implement their classified supervision and supervisory measures. The regulatory ratings are currently not publicly available.

OWNERSHIP AND SHAREHOLDER RESTRICTIONS

Regulations on Equity Investment in Banks

According to the Measures for the Implementation of Administrative Licensing of Chinese—funded Commercial Banks (《中資商業銀行行政許可事項實施辦法》) promulgated by the CBRC on June 5, 2015 and amended on July 5, 2017, an application for change by a city commercial bank to modify shareholders that hold more than 5% of its total amount of capital or shares, or an application by an overseas financial institution to invest in or subscribe for shares shall be handled and decided by local offices under the CBRC. An application by a city commercial bank to modify the shareholders that hold more than 1% but less than 5% of its total amount of capital or shares shall be reported to the local offices under the CBRC within 10 days after the transfer of the equity.

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

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 reasonable capital planning formulated by the board of directors of the commercial bank so that the capital of the bank can meet the regulatory requirements on an on-going basis. If a commercial bank's capital fails to meet the regulatory requirements, it is required to develop a capital replenishment plan to increase capital adequacy ratio to meet regulatory requirements within a specified period of time, and capital is required to be replenished by means of increasing core capital. Under such circumstances, substantial shareholders cannot obstruct the capital injection moves by other shareholders or the participation of new qualified shareholders. If shareholders of a PRC commercial bank, especially substantial shareholders, fail to repay outstanding loans extended by the bank when due, their voting rights at shareholders' meeting and their appointed directors' voting rights at board meeting shall be restricted.

In addition, the PRC Company Law and relevant 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 equity for the preceding year, the shareholder cannot use his or her stake in the bank as pledge. In November 14, 2013, the CBRC issued the CBRC Notice on Enhanced Management of Pledge of Equity Interest in Commercial Banks (《中國銀監會關於加强商業銀行股權質押管理的通知》) (the "Notice"), pursuant to which commercial banks are required to clearly stipulate the following matters in their articles of associations in addition to those as stipulated in the foresaid Corporate Governance Guidelines: (i) where a shareholder, who has representation on the board of directors or the board of supervisors, or directly, indirectly or jointly holds or controls more than 2% of share capital or voting rights in the bank pledges his equity interests in the bank, it shall make a filing to the board of directors of the bank prior to the pledge. The filing shall state the basic information of the pledge, including the reasons for the pledge, the number of shares involved, the term of pledge and the particulars of the pledgees. Where the board of directors considers the pledge to be materially adverse to the stability of the bank's shareholding structure, the corporate governance as well as the control of risk and connected transactions, the filing shall not be accepted. The director(s) nominated by a shareholder proposing to pledge his shares in the bank shall abstain from voting at the meeting of the board of directors at which such proposal is considered; (ii) upon the registration of pledge of equity interests, the shareholders involved shall provide the bank with the relevant information in relation to the pledge of equity interests in a timely manner, so as to facilitate the bank's risk management and information disclosure compliance; and (iii) where a shareholder pledges 50% or more of his equity interests in the bank, the voting rights of such shareholder at the shareholders' general meetings, as well as the voting rights of the director(s) designated by such dispatched shareholder at board meetings, shall be subject to restrictions.

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

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

Anti-money Laundering Regulation

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

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

On June 21, 2007, the PBoC, CBRC, CSRC and the CIRC jointly promulgated the Measures on the Administration of Client Identity Identification and Materials and Transaction Recording of Financial Institutions (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》). Commercial banks are required to set up a customer identification system, record the identities of all customers and the information relating to each transaction, and keep personal transaction records and documents.

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

REGULATORY AND SHAREHOLDERS' APPROVALS

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

The Bank also obtained approvals from CBRC Gansu Office and CSRC for the Global Offering and the application to list the H Shares on the Hong Kong Stock Exchange, on August 14, 2017 and December 15, 2017, respectively.

1. HISTORY OF THE BANK

In light of the lack of provincial city commercial banks in Gansu province and to promote the economic development of Gansu province, the People's Government of Gansu Province decided to establish a provincial city commercial bank by building on the foundations of Baiyin City Commercial Bank and Pingliang City Commercial Bank. Therefore, on May 30, 2011, 25 legal entities (including large and medium-sized SOEs in Gansu province and private enterprises in and outside Gansu province) and representatives of all the shareholders of Baiyin City Commercial Bank and Pingliang City Commercial Bank jointly entered into a promoters agreement in respect of Dunhuang Bank Co., Ltd. (敦煌銀行股份有限公司). Pursuant to the agreement, the 25 legal entities contributed cash and all the shareholders of Baiyin City Commercial Bank and Pingliang City Commercial Bank contributed the appraised net assets of Baiyin City Commercial Bank and Pingliang City Commercial Bank, respectively, to incorporate Dunhuang Bank Co., Ltd. On August 24, 2011, the General Office of the People's Government of Gansu Province approved the change to the name of the bank to be incorporated from the former "Dunhuang Bank Co., Ltd." to "Bank of Gansu Co., Ltd.". On September 27, 2011, the CBRC approved the establishment of the Bank. On November 18, 2011, the CBRC Gansu Office approved the commencement of business of the Bank and the conversion of Baiyin City Commercial Bank, Pingliang City Commercial Bank and their branches and sub-branches into Baiyin Branch, Pingliang Branch and sub-branches of the Bank. On the same day, the Bank was granted the enterprise business license by the Administration for Industry and Commerce of Gansu Province and was formally incorporated under the PRC Company Law. The Bank is the only provincial city commercial bank in Gansu province.

At the time of its incorporation, the registered capital of the Bank was RMB3,486,223,700.00, divided into 3,486,223,700 shares with a nominal value of RMB1.00 per share. The registered capital has been fully paid up.

The principal businesses of the Bank include corporate banking, retail banking and financial market operations. In respect of corporate banking, the Bank offers corporate customers a broad range of financial products and services, including loans, discounted bills, deposits and fee- and commission-based products and services. In respect of retail banking, the Bank offers its retail customers a wide range of products and services, including loans, deposits, debit card services and fee- and commission-based products and services. The Bank's financial markets operations primarily include money market transactions, investment business and wealth management business. The Bank has also obtained the qualification to provide international settlement services to provide exchange settlement, remittances, inward collections and export letters of credit.

The major milestones in the Bank's development are set forth as follows:

Date	Major Milestones
November 2011	The Bank was established as a joint stock company under the PRC Company Law.
August 2012	The Bank's integrated business system was successfully launched.
October 2012	With the approval of the PBoC, the Bank connected to China's modern payment system in its capacity as a legal person.
December 2012	The General Office of the People's Government of Gansu Province issued the Opinion on Supporting the Fast Development of Bank of Gansu, requiring that all departments of Gansu provincial government and all levels of governments in Gansu province take effective measures to support the growth and strengthening of the Bank.

Date	Major Milestones
January 2013	The Bank's online banking service was officially launched to provide customers with a wide range of financial services, including account inquiries, intra and cross-bank transfer and wealth management services.
February 2013	"Huifu Phase I" (匯福1期) RMB financial product, the first wealth management product developed by the Bank, was officially launched.
June 2013	The Bank received the approval from the CBRC Gansu Office for engaging in foreign exchange business.
April 2014	The total assets of the Bank exceeded RMB100 billion.
May 2014	The Bank completed the filing of the domestic RMB settlement services for cross-border transactions with Lanzhou Central Sub-branch of the PBoC.
November 2014	The total deposits of the Bank exceeded RMB100 billion.
December 2014	The Bank's mobile banking service was officially launched, providing customers with a wide range of financial services, including account balance and transaction statement inquiries, transfer and remittances and purchase of financial products.
January 2015	The Bank successfully connected to the Onshore Foreign Exchange Payment System (境內外幣支付系統), launching services for five currencies including USD, EUR, HKD, JPY and GBP, and became the first provincial city commercial bank in Gansu province to connect to the Onshore Foreign Exchange Payment System of the PBoC.
June 2015	The Bank became a fundamental member of the market interest rate pricing self-discipline mechanism.
October 2015	The Bank's electronic banking channel management platform was officially launched. This enabled the back-end management of customers, business, financial reports and parameters by the Bank's online banking, mobile banking and other electronic channels.
December 2015	The Bank's first online loan product "Tax e-Financing" (稅e融), a financial product jointly developed by the Bank and Gansu Provincial Office of SAT, was successfully launched, which provides credit loans to small and micro businesses and individual proprietors to support their business and operations. The total assets of the Bank exceeded RMB200 billion.
February 2016	The Bank formally became a member of the NAFMII.
April 2016	The Bank's online payment platform was successfully launched, providing customers engaged in e-commerce business with online payment, clearing and settlement services.
August 2016	The Bank's direct banking platform was officially launched, through which customers can purchase and enjoy diversified financial products and services sold and provided by the Bank and third parties.

Date	Major Milestones
April 2017	The Bank's integrated e-commerce platform "Longyin Commerce" (隴銀商務) was officially launched, which provides merchants with comprehensive procurement, sales and inventory management services and online B2B and B2C transactions.
August 2017	The Bank obtained the qualification to engage in underwriting business of debt financing instruments for non-financial enterprises.

2. CHANGE OF THE REGISTERED CAPITAL OF THE BANK

The registered capital of the Bank was RMB3,486,223,700.00 at the time of its incorporation. Since the incorporation of the Bank, there have been various increases of the share capital of the Bank primarily through enlargement of the total shares issued and capitalization of undistributed profits to ensure the capital adequacy of the Bank and to support its business development.

As of the Latest Practicable Date, the registered capital of the Bank was RMB7,525,991,330.00. The Bank has issued a total of 7,525,991,330 Domestic Shares with a nominal value of RMB1.00 per share. The changes in the share capital of the Bank since its incorporation are set forth as follows:

Year	Changes in the share capital
2013	The Bank capitalized undistributed profits of RMB208,598,579.00 ("2013 Conversion of Undistributed Profits into Share Capital"), after which the registered capital of the Bank increased to RMB3,694,822,279.00 and the total share capital of the Bank increased to 3,694,822,279 shares.
	The Bank issued a total of 2,950,918,414 Domestic Shares to 20 qualified legal entities at an issue price of RMB1.45 per share which was determined with reference to the valuation of the Bank's net assets as of May 31, 2013 ("2013 Private Placement").
2014	The Bank issued a total of 270,035,327 new Shares to 2,692 employees at an issue price of RMB1.45 per share, raising a total of RMB391,551,224.00 ("2014 Employees Share Issuance").
	The Bank capitalized undistributed profits of RMB221,086,902.00 ("2014 Conversion of Undistributed Profits into Share Capital").
	The registered capital of the Bank increased to RMB7,136,862,922.00 and the total share capital of the Bank increased to 7,136,862,922 shares after completing the 2013 Private Placement, 2014 Employees Shares Issuance and 2014 Conversion of Undistributed Profits into Share Capital.
2015	The Bank capitalized undistributed profits of RMB389,128,408.00 ("2015 Conversion of Undistributed Profits into Share Capital"), after which the registered capital of the Bank further increased to RMB7,525,991,330.00 and the total share capital of the Bank increased to 7,525,991,330 shares.

Notes:

1. (1) The CBRC Gansu Office approved the 2013 Conversion of Undistributed Profits into Share Capital. However, the Bank did not obtain approval for the change to the Bank's registered capital resulting from the 2013 Conversion of Undistributed Profits into Share Capital from the CBRC Gansu Office following implementation of the scheme in accordance with applicable laws and regulations.

(2) The Bank obtained the relevant approval of the change to the Bank's registered capital resulting from the 2014 Employees Share Issuance from the CBRC Gansu Office. However, the Bank did not obtain the prior approval for the issuance from the CBRC Gansu Office in accordance with applicable laws and regulations.

Grandall Law Firm (Shanghai), the PRC legal adviser to the Bank, is of the view that, because (a) the CBRC Gansu Office has confirmed that all previous increases in the Bank's share capital were conducted in compliance with applicable laws and regulations, and there were no material defects or violation of laws and regulations; (b) the People's Government of Gansu Province has confirmed that the Bank has obtained the necessary approvals from competent authorities in respect of all previous increases in its share capital and there were no material violation of laws and regulations; and (c) the Bank has reported the relevant information to the CSRC and applied to be regulated as a non-listed public company, the above circumstances do not have any material and adverse effect on the legality and effectiveness of the previous changes to the Bank's share capital.

2. (1) During the incorporation of the Bank, the net assets of Baiyin City Commercial Bank and Pingliang City Commercial Bank were appraised in accordance with applicable laws and regulations, the results of which were used as the basis of determination of the value of capital contribution in kind. However, the Bank did not obtain approval for the results of appraisal from competent authorities in accordance with applicable laws and regulations.

   (2) During the 2013 Private Placement, the net assets of the Bank as of May 31, 2013 were appraised, the results of which were used as the basis of determination of the issuance price of the 2013 Private Placement. However, the Bank did not file the results of appraisal with competent authorities in accordance with applicable laws and regulations.

   (3) During the 2014 Employees Share Issuance, the appraisal results of the Bank's net assets as of May 31, 2013 were used as the basis of determination of the issuance price. However, the validity of the appraisal results exceeded the one-year maximum period under applicable laws. Additionally, the Bank did not file the results of appraisal with competent authorities in accordance with applicable laws and regulations.

   Grandall Law Firm (Shanghai), the PRC legal adviser to the Bank, is of the view that, as the People's Government of Gansu Province has confirmed that the basis of determination of the issuance price of the capital increase was reasonable, achieving the preservation and appreciation of the state-owned assets, the above circumstances do not have any material and adverse effect on the legality and effectiveness of the incorporation of the Bank and its all previous capital enlargement and share increases.

3. Following implementation of the 2013 Conversion of Undistributed Profits into Share Capital, 2013 Private Placement, 2014 Employees Share Issuance and 2014 Conversion of Undistributed Profits into Share Capital, the Bank did not promptly register the increases of its registered share capital. Upon implementation of the 2015 Conversion of Undistributed Profits into Share Capital, the Bank registered the changes arising from such cumulative increases in its registered capital with the Administration for Industry and Commerce of Gansu Province (the "Gansu Administration for Industry and Commerce") in December 2015.

   Grandall Law Firm (Shanghai), the PRC legal adviser to the Bank, is of the view that the above circumstances do not have a material and adverse effect on the legality and effectiveness of the Bank's previous capital enlargements and share increases, for the following reasons: (1) changes in the registered capital of a company should be filed with the administration for industry and commerce, and do not require prior approval from such regulator. Therefore, failure to register the changes in the registered capital with the administration for industry and commerce should not invalidate the changes in registered capital, (2) the Bank registered the changes arising from the cumulative increases in its registered capital from 2013 to 2015 with the competent administration for industry and commerce on December 2, 2015, and was granted the renewed business license, and (3) the Gansu Administration for Industry and Commerce, the Bank's supervising administration for matters of industry and commerce, has confirmed that the Bank has not been subject to any administrative penalties imposed by the Gansu Administration for Industry and Commerce since its establishment.

3. THE SUBSIDIARY OF THE BANK

As of the Latest Practicable Date, Jingning Chengji Rural Bank was the sole subsidiary of the Bank. The Bank holds 62.73% equity interest in Jingning Chengji Rural Bank, the financials of which have been consolidated into the Bank's financial statements. The remaining equity interests in Jingning Chengji Rural Bank are held by 41 corporate and individual shareholders. Jingning Chengji Rural Bank was established on September 18, 2008, which was originally a subsidiary of Pingliang City Commercial Bank. It offers local corporate and retail customers diversified financial products and services, including loans, deposits and fee- and commission-based products and services. As of the Latest Practicable Date, the registered capital of Jingning Chengji Rural Bank was RMB40.25 million.

4. ISSUANCE OF BONDS

4.1 Financial bonds

In March, 2017, the Bank issued financial bonds in an aggregate principal amount of RMB1,000.0 million. The bonds have a term of three years and bear an interest rate of 4.67% per annum.

In April 2017, the Bank issued financial bonds in an aggregate principal amount of RMB1,000.0 million. The bonds have a term of five years and bear an interest rate of 5.00% per annum.

In May 2017, the Bank issued financial bonds in an aggregate principal amount of RMB1,000.0 million. The bonds have a term of three years and bear an annual interest rate of 4.90%.

In August 2017, the Bank issued financial bonds in an aggregate principal amount of RMB1,500.0 million. The bonds have a term of three years and bear an annual interest rate of 4.85%.

4.2 Tier-two capital bonds

In December 2015, the Bank issued tier-two capital bonds in an aggregate principal amount of RMB3,200.0 million. The bonds have a term of 10 years and bear an interest rate of 5.10% per annum. The Bank has an option to redeem the bonds on December 11, 2020 at par.

4.3 Interbank certificates

In 2015, the Bank issued several tranches of zero-coupon interbank certificates in an aggregate principal amount of RMB7,740.0 million. These interbank certificates have terms of one month to six months and bear effective interest rates between 2.55% and 3.60% per annum.

In 2016, the Bank issued several tranches of zero-coupon interbank certificates in an aggregate principal amount of RMB35,890.0 million. These interbank certificates have terms of one month to one year and bear effective interest rates between 2.55% and 4.82% per annum.

In the six months ended June 30, 2017, the Bank issued several tranches of zero-coupon interbank certificates in an aggregate principal amount of RMB27,870.0 million. These interbank certificates have terms of one month to one year and bear effective interest rates between 4.00% and 5.31% per annum.

For details of the bond issuances of the Bank, please refer to "Financial Information—Capital Resources—Debt—Debt Securities Issued".

5. REASONS FOR LISTING

The Bank intends to continuously expand the scope of its operation, details of which are set out in the sections headed "Business—Our Development Strategies" and "Future Plans and Use of Proceeds". The Bank believes that the Listing will provide the Bank with additional capital to develop its business, further enhance the Bank's corporate governance and core competiveness and improve the Bank's brand awareness.

6. SHAREHOLDING AND CORPORATE STRUCTURE OF THE BANK

6.1 Shareholding structure

As of the Latest Practicable Date, the Bank had 127 corporate shareholders and 3,624 individual shareholders, holding in aggregate approximately 95.68% and 4.32% of the Shares, respectively. All these shareholders are holders of Domestic Shares. The shareholders directly holding 5% or more of the Shares include Gansu Highway Aviation Tourism, Baoshang Bank, Jiuquan Iron & Steel, Gansu Electric Power Investment and Jinchuan Group, directly holding approximately 15.38%, 11.23%, 8.42%, 8.42% and 8.42% of the total issued Shares, respectively.

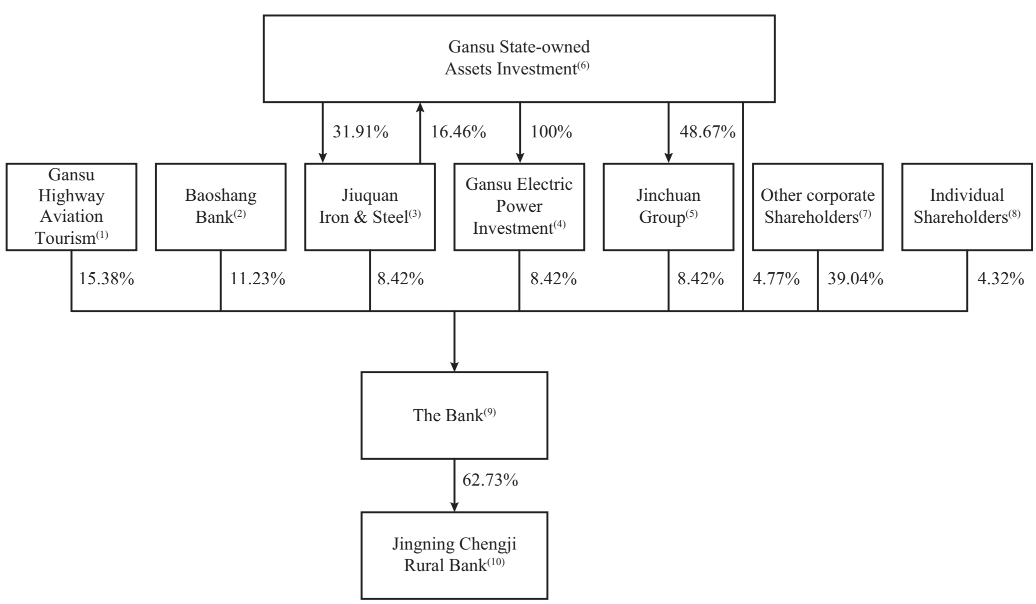
As of the Latest Practicable Date, Gansu State-owned Assets Investment directly held 4.77% of the Shares. It also holds (1) 100% equity interest in Gansu Electric Power Investment (directly holding 8.42% of the Shares), and (2) 48.67% equity interest in Jinchuan Group (directly holding 8.42% of the Shares). Therefore, Gansu Electric Power Investment and Jinchuan Group are controlled corporations of Gansu State-owned Assets Investment as defined by the SFO. Gansu State-owned Assets Investment is deemed to be interested in the Shares held by Gansu Electric Power Investment and Jinchuan Group pursuant to the SFO.

Jiuquan Iron & Steel, Gansu Electric Power Investment, Jinchuan Group and Gansu State-owned Assets Investment are all directly or indirectly controlled by Gansu SASAC, while Gansu Highway Aviation Tourism is wholly owned by the Department of Transportation of Gansu Province. For details of the above Shareholders, please refer to "Substantial Shareholders".

As of the Latest Practicable Date, 220 Shareholders had not completed their share custodian procedures, including two corporate Shareholders holding an aggregate of 1,307,840 Domestic Shares, representing approximately 0.0174% of the total issued Shares, and 218 individual Shareholders holding an aggregate of 5,587,119 Domestic Shares, representing approximately 0.0742% of the total issued Shares. Grandall Law Firm (Shanghai), the PRC legal adviser to the Bank, is of the opinion that this will not have any material and adverse impact on the Bank's shareholding structure, corporate governance, business and operation.

Shareholding Structure Immediately Prior to the Global Offering

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



Notes:

(1) Gansu Highway Aviation Tourism is a state-owned Shareholder of the Bank. As of the Latest Practicable Date, it directly held 15.38% of the total issued Shares. Gansu Highway Aviation Tourism is wholly owned by the Department of Transportation of Gansu Province. Its main scope of business includes operating and managing state-owned assets, financing, investing, developing, constructing and managing high-grade highways, civil aviation airports, major tourism resources, and major tourism projects in Gansu province. For details of the Shares held by Gansu Highway Aviation Tourism, please refer to the section headed "Substantial Shareholders".

(2) Baoshang Bank is a non-state-owned Shareholder of the Bank. As of the Latest Practicable Date, it directly held 11.23% of the total issued Shares. Baoshang Bank is a city commercial bank incorporated in Inner Mongolia Autonomous Region of the PRC and has no

controlling shareholder or substantial shareholder. Baotou Taiping Business Group Co., Ltd. (包頭市太平商貿集團有限公司) is its single largest shareholder, holding 9.07% of its equity interest. For details of the Shares held by Baoshang Bank, please refer to the section headed "Substantial Shareholders".

(3) Jiuquan Iron & Steel is a state-owned Shareholder of the Bank. As of the Latest Practicable Date, it directly held 8.42% of the total issued Shares. Gansu SASAC and Gansu State-owned Assets Investment hold 68.09% and 31.91% equity interest in Jiuquan Iron & Steel, respectively, and Jiuquan Iron & Steel in turn holds 16.46% equity interest in Gansu State-owned Assets Investment. The main scope of business of Jiuquan Iron & Steel includes manufacturing, mining, agriculture, forestry, animal husbandry, fishery, electric power, production and supply of gas and water, transportation, warehousing. For details of the Shares held by Jiuquan Iron & Steel, please refer to the section headed "Substantial Shareholders".

(4) Gansu Electric Power Investment is a state-owned Shareholder of the Bank. As of the Latest Practicable Date, it directly held 8.42% of the total issued Shares. Gansu Electric Power Investment is a wholly-owned subsidiary of Gansu State-owned Assets Investment, which is a substantial shareholder of the Bank. Its main scope of business includes servicing the development of energy industry and construction of railway infrastructure in Gansu province, provincial coal, electricity and other basic energy projects, and new energy industry projects. Pursuant to the SFO, Gansu State-owned Assets Investment is deemed to be interested in the Shares held by Gansu Electric Power Investment. For details of the Shares held by Gansu Electric Power Investment, please refer to the section headed "Substantial Shareholders".

(5) Jinchuan Group is a state-owned Shareholder of the Bank. As of the Latest Practicable Date, it directly held 8.42% of the total issued Shares. Jinchuan Group is the controlling shareholder of Jinchuan Group International Resources Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code 2362). The main scope of business of Jinchuan Group includes production and sales of nickel, copper, cobalt, rare and precious metals, inorganic chemical products, hazardous chemical products, engineering works, lifting mechanical equipment, geological survey, mining, manufacturing, construction, transportation. Gansu State-owned Assets Investment, Gansu SASAC, Jiuquan Iron & Steel, Gansu Electric Power Investment and Jingyuan Coal Industry Group Co., Ltd. (靖遠煤業集團有限公司) (a shareholder holding 3.18% of the Shares) hold 48.67%, 12.89%, 1.40%, 1.66% and 0.70% equity interest in Jinchuan Group, respectively. Pursuant to the SFO, Gansu State-owned Assets Investment is deemed to be interested in the Shares held by Jinchuan Group. For details of the Shares held by Jinchuan Group, please refer to the section headed "Substantial Shareholders".

(6) Gansu State-owned Assets Investment is a state-owned Shareholder of the Bank. As of the Latest Practicable Date, it directly held 4.77% of the total issued Shares. Gansu SASAC and Jiuquan Iron & Steel hold 83.54% and 16.46% equity interest in Gansu State-owned Assets Investment, respectively, while Gansu State-owned Assets Investment also in turn holds 31.91% equity of Jiuquan Iron & Steel. The principal scope of business of Gansu State-owned Assets Investment includes state-owned capital (equity) management and financing business, industry consolidation and investment business, fund investment and venture capital business, listed equity management and operation business. Gansu State-owned Assets Investment holds (a) 100% equity interest in Gansu Electric Power Investment (directly holding 8.42% of the Shares), and (b) 48.67% equity interest in Jinchuan Group (directly holding 8.42% of the Shares). Therefore, Gansu Electric Power Investment and Jinchuan Group are controlled corporations of Gansu State-owned Assets Investment as defined by the SFO. Pursuant to the SFO, Gansu State-owned Assets Investment is deemed to be interested in the Shares held by Gansu Electric Power Investment and Jinchuan Group. For details of the Shares held by Gansu State-owned Assets Investment, please refer to the section headed "Substantial Shareholders".

(7) As of the Latest Practicable Date, 121 other corporate Shareholders held an aggregate of 39.04% of the Shares. The highest shareholding of those corporate Shareholders does not exceed 3.18%.

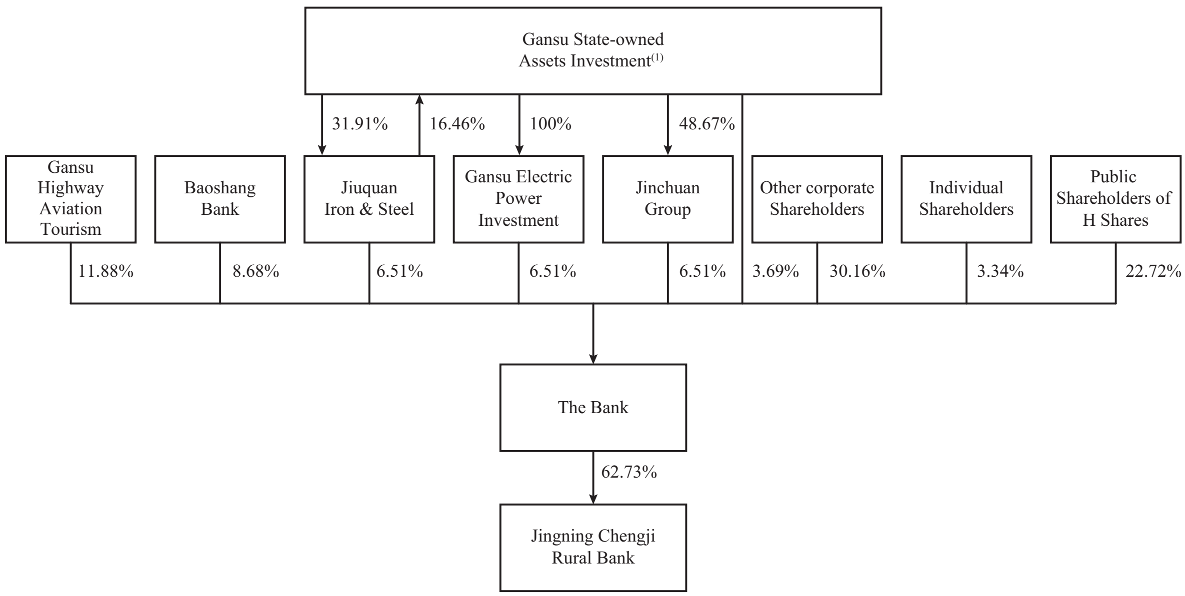
(8) As of the Latest Practicable Date, 3,624 individual Shareholders held an aggregate of 4.32% of the Shares. The highest shareholding those individual Shareholders does not exceed 0.0109%.

(9) For the main organization and management structure of the Bank, please refer to "— Shareholding and Corporate Structure of the Bank — Organizational Structure".

(10) For details of Jingning Chengji Rural Bank and its shareholders, please refer to "— The Subsidiary of the Bank". All other shareholders of Jingning Chengji Rural Bank are independent third parties of the Bank.

Shareholding Structure Immediately Following the Global Offering

The following chart sets forth the shareholding structure of the Bank immediately following the Global Offering (assuming that the Over-allotment Option has not been exercised and the shareholding of the following shareholders has not changed as of the Latest Practicable Date).



Note:

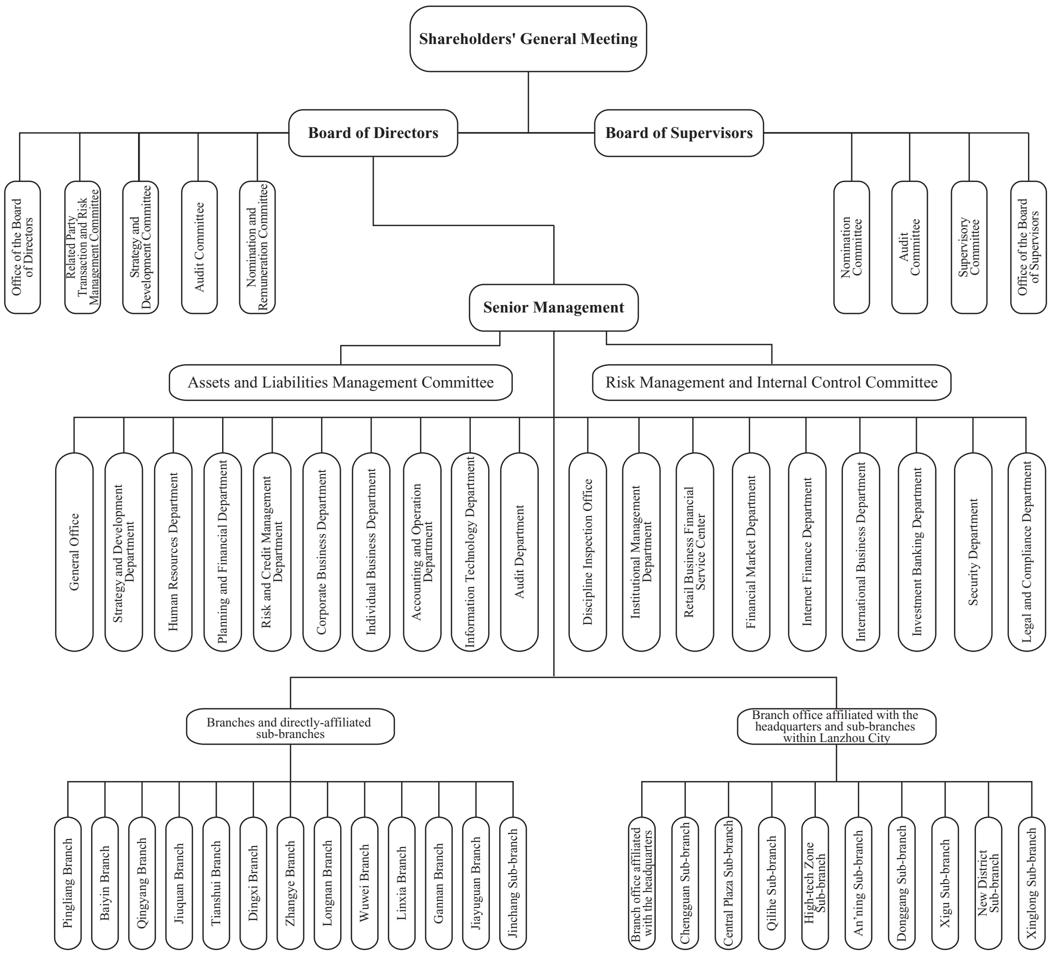
(1) As disclosed, Gansu Electric Power Investment and Jinchuan Group are controlled corporations of Gansu State-owned Assets Investment, and Gansu State-owned Assets Investment is deemed to be interested in the Shares held by Gansu Electric Power Investment and Jinchuan Group.

6.2 Organizational structure

The Bank has implemented a series of measures to optimize its management structure and improve its internal control system, including:

- establishing a modern corporate governance framework;
- establishing comprehensive risk management and internal control systems;
- enhancing the utilization of information technology; and
- promoting human resources development.

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



6.3 Corporate governance structure

The Bank has established a modern corporate governance structure in line with the Articles of Association, the PRC laws and regulations and the Listing Rules, including the shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management.

Shareholders' General Meeting

The Shareholders' general meeting of the Bank is the organ of authority of the Bank. Its principal responsibilities include:

- determining the operating principles and major investment plans of the Bank;
- electing and replacing Directors and determining the remuneration of the relevant Directors;
- electing and replacing the non-employee representative Supervisors and determining the remuneration of the Supervisors;
- considering and approving reports of the Board of Directors and the Board of Supervisors;

- considering and approving the Bank's annual financial budget plans, final accounting plans and the Bank's profit distribution plans and formulating loss resolution plans;
- making decisions on the Bank's increases or decreases in its registered capital;
- approving issuance of bonds by the Bank or listing of the Shares;
- considering and approving the Bank's external investments, asset transfers, assignments, acquisitions, disposal plans or authorizing the Board of Directors to consider and approve the same;
- passing resolutions on the Bank's share repurchases;
- passing resolutions on the Bank's mergers, spin-offs, dissolution, liquidation or transformations of the Bank;
- amending the Articles of Association;
- passing resolutions on the appointment and dismissal of auditors;
- considering and approving matters in respect of any changes to the use of proceeds;
- considering and approving any equity incentive plan; and
- considering any interim proposals submitted by Shareholders representing at least 3% of the total voting rights Shares.

Board of Directors

The Board of Directors is accountable to the Shareholders' general meeting, and comprises professionals with different backgrounds and qualifications. Its principal responsibilities include:

- determining the Bank's business development strategy and determining the Bank's business plan and investment program;
- considering the Bank's annual reports and managing the Bank's external information disclosure;
- convening the general meeting of Shareholders, reporting to the Shareholders' meeting, and implementing the resolutions of the Shareholders' meeting;
- formulating the Bank's annual financial budgets, final accounts, risk capital allocation plans, profit distribution plans and loss resolution plans;
- considering and approving the Bank's external investments, acquisitions and sales of assets, pledging of assets, provision of guarantees to third parties, entrusted financial management and related party transactions plans in accordance with the authorization of the shareholders' general meeting;
- appointing or dismissing the president of the Bank and the secretary to the Board of Directors in accordance with the nomination of the chairman of the Board; appointing or dismissing the vice presidents of the Bank and other senior management in accordance with the nomination of the president of the Bank;
- determining the Bank's risk management and internal control policies; and
- formulating the Bank's principal management system, and regularly assessing and improving the Bank's corporate governance.

The Board of Directors has delegated certain powers to its sub-committees, including the strategy and development committee, audit committee, nomination and remuneration committee and related party transaction and risk management committee. The committees shall report to the Board of Directors. For details of the roles and responsibilities of these committees, please refer to "Directors, Supervisors and Senior Management—Committees under the Board of Directors".

Board of Supervisors

The Board of Supervisors is accountable to the Shareholders' general meeting of the Bank and is responsible for supervising the performance of the duties of the Board of Directors and senior management as well as the Bank's financial activities, risk management and internal control. The Board of Supervisors conducts regular focused surveys and attends key meetings to understand the operation and management of the Bank and provide supervisory advice, and supervise the implementation of such advice from time to time. The Board of Supervisors is composed of the supervisory committee, nomination committee and audit committee, each of which shall report to the Board of Supervisors.

Senior management

The senior management of the Bank has the powers vested by the Board of Directors to manage the Bank's daily operations. The president of the Bank is primarily responsible for implementing the decisions of the Board of Directors and shall report to the Board of Directors. The Bank has also appointed certain vice presidents and other senior management members to work with the Bank's president and perform their respective management responsibilities.

7. THE PARTY COMMITTEE

The Bank has established the Committee of Communist Party of China of Bank of Gansu Co., Ltd., which primarily assumes the following responsibilities:

- supporting the Shareholders' general meeting, the Board of Directors, the Board of Supervisors and the management to discharge their respective duties and responsibilities in accordance with applicable laws and regulations so as to achieve the preservation and appreciation of the state-owned assets;
- supporting the employees representatives' meeting of the Bank to exercise its rights and discharge its responsibilities;
- providing opinions and recommendations about major matters concerning the reform, development and stability of the Bank;
- supervising that the guiding principles and policies of the Communist Party of China and the State are fully reflected and implemented in the Bank's reform and development;
- safeguarding the legitimate interests of the State, the Bank, the Shareholders and the Bank's employees; and
- strengthening party building and leading the ideological work and the Bank's mass organizations including the labor union and the communist youth league of the Bank.

8. OPERATIONAL REFORM

In line with the Bank's development needs and industry regulatory requirements, the Bank has continuously sought to optimize its management and operations, and has implemented reform and improvement measures in respect of corporate governance, organizational structure, risk management, human resources and information technology. For details, please refer to "Business" and "Risk Management".

OVERVIEW

We are the only provincial city commercial bank in Gansu province, China. We ranked 2nd in total assets and 3rd in total deposits among banking institutions operating in Gansu as of June 30, 2017, according to the PBoC. We held an overall ranking of 11 among city commercial banks in China in 2016, according to the 2016 "GYROSCOPE" evaluation of China's commercial banks based on capability for stable development by the China Banking Association.

We have established a comprehensive business network across Gansu province. As of June 30, 2017, we operated a head office, 9 branches and 189 sub-branches, as well as 2 sub-branches that serve small and micro enterprises. This network covers all 14 cities and prefectures and 81 out of 86 counties and districts in Gansu province (covering all the cities and prefectures and 94% of the counties and districts in Gansu province). In addition, with the support of the Gansu government, we have established long-term business relationships with government agencies, public institutions, SOEs and private businesses in Gansu.

As of the Latest Practicable Date, we had established strategic relationships with 13 city and prefecture governments, numerous provincial government agencies and over 70 counties and districts governments in Gansu province. Our corporate banking clients include Fortune 500 and China Top 500 companies from a wide range of industries, including infrastructure, environmental, culture, tourism, "three rurals", technology, livelihood and other sectors.

We have grown rapidly, with total assets, deposits and loans increasing by over 30 times[(1)] since our founding in November 2011 through June 30, 2017. From December 31, 2011 to December 31, 2016, our total assets grew at a CAGR of over 70%, making us one of the fastest growing city commercial banks in China. Our total assets increased by 63.1%, from RMB165.1 billion as of December 31, 2014 to RMB269.4 billion as of June 30, 2017.

From 2014 to 2016, our operating income increased from RMB3,602.4 million to RMB6,970.9 million, representing a CAGR of 39.1%. For the six months ended June 30, 2016 and 2017, our operating income was RMB3,269.5 million and RMB4,050.5 million, respectively. From 2014 to 2016, our net profit increased from RMB1,062.6 million to RMB1,921.0 million, representing a CAGR of 34.5%. For the six months ended June 30, 2016 and 2017, our net profit was RMB716.8 million and RMB2,045.8 million, respectively.

Because of our outstanding performance in recent years, we have won numerous awards and accolades since our establishment, including the following:

Year	Awards and Honors	Awarding Party/Media
2017	China Best 10 Targeted Poverty Alleviation Banks (全國十佳精準扶貧銀行)	China New Financial Institutions Forum, Financial Times
2016	Provincial Governor Financial Award (省長金融獎)	Gansu Provincial People's Government
	Gansu Province Goodwill Award for Practices that Connect and Empower Villages and Households (全省聯村聯戶為民富民行動民心獎)	Gansu Province Committee of CPC

(1) Based on our unaudited management accounts as of November 18, 2011, the date we commenced operations, and our audited accounts as of June 30, 2017.

Year	Awards and Honors	Awarding Party/Media
	Banking Industry Information Technology Risk Management Issue Research Award, Class III (銀行業信息科技風險管理課題研究三類成果獎)	The CBRC
	Outstanding Contribution Award for Financial Technology Innovation (金融科技創新突出貢獻獎)	*Financial Computerizing* of the PBoC
	People's Favorite City Commercial Bank (老百姓最喜歡的城市商業銀行)	The Chinese Bankers magazine
2015	Gansu Province Goodwill Award for Practices that Connect and Empower Villages and Households (全省聯村聯戶為民富民行動民心獎)	Gansu Province Committee of CPC
	Banking Technology Development Award, Class III (銀行科技發展獎三等獎)	The PBoC
	Banking Industry Information Technology Risk Management Issue Research Award, Class III (銀行業信息科技風險管理課題研究三類成果獎)	The CBRC
	Outstanding Contribution Award for Financial Technology Innovation (金融科技創新突出貢獻獎)	*Financial Computerizing* of the PBoC
2014	Provincial Governor Financial Award (省長金融獎)	Gansu Provincial People's Government
	Gansu Province Goodwill Award for Practices that Connect and Empower Villages and Households (全省聯村聯戶為民富民行動民心獎)	Gansu Province Committee of CPC
2013	Provincial Governor Financial Award (省長金融獎)	Gansu Provincial People's Government
2012	Provincial Governor Financial Award (省長金融獎)	Gansu Provincial People's Government

OUR COMPETITIVE STRENGTHS

As the only provincial city commercial bank in Gansu province, we benefit from the economic development of Gansu and the support of the Gansu government, with a leading growth rate among city commercial banks in the PRC based on total assets.

With strong roots in Gansu province, we benefit significantly from the economic development of Gansu and support of the Gansu government. In recent years, Gansu's economy has grown rapidly, with an average annual real GDP growth rate of 10.6% from 2011 to 2015, exceeding China's overall real GDP growth rate of 7.8% during the same period. The real GDP growth rate of Gansu province in 2016 reached 7.6%, which exceeded China's real GDP growth rate of 6.7% during the year.

The target annual GDP growth rate of Gansu province between 2016 and 2020 equals or exceeds 7.5%, according to the 13th Five-Year Plan of Gansu Province, exceeding the national target of 6.5% during the same period. We believe that the economy of Gansu will benefit from the following factors, which provide strong potential for future growth:

- **Unique geographic advantage:** Gansu province occupies a key position in Northwest China that connects Central China with China's frontier regions, as well as Central Asia, Western Asia and Europe. At the same time, Lanzhou, Gansu's capital, serves as a transportation and communication hub for Northwest China. In the past two years, Lanzhou has benefitted from the commissioning (or expected commissioning) of key railway links, including the Lanzhou-Xinjiang high speed rail, Baoji-Lanzhou Passenger Special Line and Lanzhou-Chongqing railway, and agreements to develop transportation links with the southern Chinese cities of Chongqing, Guangxi and Guizhou. As a result, Gansu holds the potential of developing into a "Silk Road Economic Belt" and "Golden Passage" in China.

- **Strong national policy support:** Gansu benefits from national strategic initiatives, including the "One Belt, One Road" and "Western Development" initiatives. Gansu constitutes the only national comprehensive pilot zone for ecological safety in China, the only area designated for the revitalization of Chinese heritage and innovation, the first "circular" economic demonstration area and the second area selected for the comprehensive application of renewable energy in China. Gansu represents an important strategic platform to access China's western regions, a passage to the "Silk Road Economic Belt" and "Golden Passage," a regional trade and logistics center, a model for industrial cooperation, and a bridge for cultural exchange. Gansu has established a number of "windows for opening up" China, including the Lanzhou New District General Bonded Zone, Wuwei Bonded Logistic Centre and Lanzhou International Port Service Zone. As the first new district in Northwest China, Lanzhou New District has been designated as a national strategic platform for "Western Development" and an important industrial base, with strong potential for economic growth.

- **Abundant natural resources:** Gansu is rich in energy and minerals, and has developed an industrial base that produces petrochemicals, metals, machinery, electronics, energy and raw materials. Gansu features an agricultural sector with unique characteristics and constitutes a major farming base for Chinese herbal medicine, hybrid maize and seed potatoes as well as one of the six major pastoral areas in China. Gansu is an important ecological zone, featuring 20 national and 36 provincial level nature conservation areas. In 2017, the national government initiated a trial program to develop a national park in the Qilianshan Mountain area. Gansu possesses a long history, and constitutes one of the origins of Chinese civilization and culture. Gansu has a rich tourism industry, including the world-famous Mogao Grottoes of Dunhuang and the Jiayuguan Section of the Great Wall.

Benefiting from the rapid growth of Gansu's economy and strong government support, our business has expanded rapidly, boasting a leading growth rate among China's city commercial banks. We ranked 2nd in total assets and 3rd in total deposits among banks operating in Gansu province as of June 30, 2017, according to the PBoC. From 2011 to 2016, our assets grew at a CAGR of over 70%, ranking as one of the fastest growing city commercial banks in China.

We are committed to building a service network closely aligned with the Gansu economy, and feature a diverse group of quality clients.

We are closely linked with the economic development of Gansu and have developed a comprehensive service network across Gansu province. As of June 30, 2017, we operated 201 outlets, including a head office, 9 branches and 189 sub-branches, as well as 2 sub-branches that serve small and micro enterprises. This network covers all 14 cities and prefectures in Gansu and 81 out of 86 counties and districts in Gansu province. In addition, we operated 149 self-service areas and 711 self-service devices, providing convenient and efficient client service at lower operating costs than traditional service centers.

We have established 72 convenient financial service sites in the counties and districts of Gansu province, occupying a leading position among city commercial banks in Gansu province in terms of counties covered. The local brand visibility, marketing ability and sizable client base of these county-level institutions have supported our market expansion and strengthened our traditional businesses. As of December 31, 2014, 2015 and 2016 and June 30, 2017, deposits in county-level institutions accounted for 16.5%, 22.4%, 24.9% and 28.1% of our total deposits, respectively, and loan balances accounted for 19.2%, 24.2%, 27.2% and 28.9% of our total loan balances, respectively.

With our deep understanding of, and extensive connection with, local clients in Gansu, we have developed close relationships with local government agencies, medium-to-large enterprises, higher education institutions, research institutions and hospitals. As of the Latest Practicable Date, we had entered into strategic partnerships with 13 urban area governments, numerous provincial agencies and over 70 county area governments in Gansu. These partnerships provide us with a competitive advantage in developing government agencies, affiliate entities and public institutions into clients, as well as a stable source of deposits and high-quality client base.

We have also developed cooperative relationships with medium-to-large enterprises in Gansu province, providing them with comprehensive financial services. Our corporate business clients include Fortune 500 and China Top 500 companies, including a wide range of businesses in the infrastructure, environmental protection, tourism, "three rurals," technology, livelihood and other industries.

We have actively developed business relationships with industrial investment funds and provided financial support to successfully implement the first public-private partnership in Gansu province. From 2014 to 2016, our corporate deposits grew faster than those of other banking institutions in Gansu province. As of June 30, 2017, we ranked No.1 among all banking financial institutions operating in Gansu province in terms of total amount of corporate deposits, pledged deposits and non-banking deposits, according to the PBoC.

Because of the rapid rate of urbanization and the increase in disposable income of urban households per capita in Gansu, demand for personal financial services in Gansu province has increased. As of December 31, 2014, 2015 and 2016 and June 30, 2017, we had approximately 1.5 million, 2.6 million, 3.9 million and 4.6 million retail customers, respectively. Retail customers with financial assets of over RMB200,000 totaled approximately 48,000, 73,000, 93,000 and 108,000 as of the same dates, respectively. This sizable retail customer base provides a stable source of deposits and opportunities to cross-sell and develop our retail business.

We operate distinctive small and micro, "three rurals" and "green" financial businesses.

With numerous small and micro enterprises in Gansu province, the banking market for small and micro enterprises holds significant potential. We aim to provide one-stop specialized financial services to small and micro enterprises, and have established sub-branches dedicated to servicing companies in the technology and culture industries.

We have developed innovative products and services for small and micro enterprises from time to time, such as mutual-aid loans for small and micro enterprises. In mutual aid loans, the government and a company jointly establish a fund that guarantees the loan. We have also developed online loan products, such as Tax e-Financing (稅e融) Loans.

As of December 31, 2014, 2015, and 2016 and June 30, 2017, our loans to small and micro enterprises were RMB23,858.4 million, RMB37,746.4 million, RMB49,113.9 million and RMB57,005.3 million, respectively, and the percentage of loans to small and micro enterprises constituted 48.9%, 52.0%, 57.6% and 63.6% of our total corporate loan balances, respectively. As of June 30, 2017, we ranked 3rd in loans to small and micro enterprises among banking financial institutions in Gansu province, according to the CBRC.

Based on our deep understanding of the agricultural and rural financial markets of Gansu province, we have promoted innovative financial products and services to meet the diverse financial demands of our customers. We have also designed multiple types of pledges and guarantees, including pledges of rural land operating rights, agricultural facilities, forestry rights, livestock and joint guarantees by multiple households. In addition, we launched financial products, including Farmers' Specialized Cooperative Loans (農民專業合作社貸款), Family Farmer Loans (家庭農場貸款), Relay Loans (富民接力貸) and Huilongtong Express (惠隴通).

In addition, we have established a professional agricultural financial services team to promote "three rurals" products and services, resulting in a rapid increase in agriculture-related loans. As of December 31, 2014, 2015, and 2016 and June 30, 2017, our agricultural-related loans totaled RMB14,470.9 million, RMB30,266.6 million, RMB40,951.5 million and RMB44,426.4 million, respectively. Our agricultural-related loans constituted 25.6%, 33.4%, 38.0% and 37.6% of our total loan balances as of the same dates, respectively. From 2014 to 2016, the CAGR of our agricultural-related loans was 68.2%.

Gansu represents the only pilot zone for ecological safety in China, where the country has planned several key ecological construction projects. We have actively responded to the national "green" development policy to support environmental friendly industries and environmental protection efforts. Benefitting from our credit support, Gansu Jinhui Mining Co., Ltd. (甘肅金徽礦業有限責任公司) has been developing several comprehensive environmental projects and been identified as one of the first national "green" factories.

As of June 30, 2017, our credit to "green" industries amounted to over RMB4,500 million. In May 2017, we issued the first provincial "green" financial bonds, which totaled RMB1,000 million in the national interbank bond market. The proceeds of these bonds will promote the development of the green and environmental friendly industry projects.

In addition, we established our Green Finance Department in June 2017, which focuses on "green finance". We believe that the "green" financial business holds considerable potential for development and growth.

We are strongly committed to developing financial technology to build an Internet finance ecosystem.

Based on the philosophy of "Driven by Technology, while Keeping Risks Under Control", IT constitutes one of our key corporate strategies. We have developed advanced financial technology and utilized scientific project management, centralized management systems, sophisticated IT frameworks and network safety systems. These measures have supported our business development, decision-making, risk prevention and internal controls, and raised the service levels, efficiency and safety of the financial services we provide.

We formulated our strategic IT development plan for the next decade in 2015, and conducted comprehensive design and planning of our IT system infrastructure based on a service-orientated architecture (SOA), with a focus on applying new technologies including big data, virtual conversion, cloud services and distributed layouts. We have developed a new generation core banking system based on our strategic IT development plan. The system went online in October 2017.

The new system is designed with a five-level application framework organized by products that focus on placing clients first and foremost. The system aims to achieve standardized transaction processing and centralized management of client information, and features a comprehensive accounting system, fine-tuned management decision-making and 24 hour operations. In 2014, 2015, 2016 and the six months ended June 30, 2017, our investment in information systems was RMB80.6 million, RMB116.5 million, RMB137.4 million and RMB85.3 million, respectively.

We have utilized financial technology and innovation to develop various financial products and services. We have created a business development model in which traditional electronic and modern Internet approaches complement each other and work in parallel. We have been diligently working to establish cooperative relationships with third-party platforms such as Alipay, Tenpay and Suning Easypay, and developing online applications for bank cards using online banking, mobile banking, WeChat banking, direct-sale platform and mobile marketing platforms. The foregoing products provide clients with convenient, high-quality products and services.

In addition, we have set up a transportation service platform with cloud computation and virtualization technology, and have been setting up and testing a controllable cloud service platform for environmental safety. *Financial Computerizing* (*《金融電子化》雜誌*) of the PBoC awarded us the "Award for Outstanding Contribution to Financial Technology Innovation" ("金融科技創新突出貢獻獎") for 2015 and 2016.

In August 2016, we launched a direct banking platform through which our customers can purchase diversified financial products and services sold by us and third-parties. As of June 30, 2017, we recorded over 208,000 registered users, over RMB683.6 million in sales, RMB3,086.0 million in transaction volumes and RMB780.0 million in asset volumes on our direct banking platform.

In April 2017, Gansu Banking for Business, our "Longyin Commerce" e-commerce platform, went online, providing vendors with comprehensive services for purchases, sales, storage management and online B2B and B2C transactions. By attracting well-known and quality enterprises and providing a wide array of financial services, we have created an online business community. Our replacement rate for principal electronic channels increased from 53.6% in 2014 to 85.8% for the six months ended June 30, 2017.

We have established a systematic and comprehensive risk management framework.

We are committed to a risk philosophy of ensuring compliance across our organization. We have established a comprehensive risk management structure that covers credit risk, liquidity risk, market risk, operating risk, reputational risk, information technology risk and legal compliance risk, achieving standardized measurements for operating risks.

We have established and improved risk management and internal control systems, primarily including the following:

- **Strong foundations for risk management:** We have established bank-wide administrative measures for risk management, with indicators encompassing revenue, capital and major risks; and implemented stress tests on a regular basis. We have engaged professional international consulting agencies to develop a one-stop solution for comprehensive risk management, internal controls, compliance and operating risk management.

  By developing a scientific risk management system that includes delegation management, risk management appraisals, risk reporting and accountability for non-compliance, we have improved our risk prevention capabilities. We take a standardized management approach in developing risk and internal control systems, processes and optimization, strengthening the foundations for risk management and controls.

- **Comprehensive organizational structure for effective risk management:** We have introduced a multi-level risk management structure with clearly defined structures and responsibilities for each department and position in our Bank. We have developed three lines of defense consisting of our business departments, risk control and legal compliance department and audit department to promote effective inspections and a system of checks and balances.

  Our Risk and Credit Management department in our Head Office is responsible for centrally managing risks with the assistance of multiple other departments. Our branches also adhere to standards set by our Head Office when managing risks.

  We have installed a risk control accrediting system, under which we have dispatched risk officers to 4 branch offices with large asset volumes. At the same time, we have established 14 risk assets monitoring and management centers with direct reporting responsibility to the Head Office. By establishing these institutions and positions, we have improved our professional risk management capabilities.

- **Enhanced precise risk management levels:** We have established a comprehensive risk management system that covers credit risk, market risk, operating risk, liquidity risk and reputational risk. We have focused on controlling major risks throughout our Bank. We have developed a hierarchical management system, and formulated operating procedures in compliance with ISO9000 for our business lines. We have implemented a risk management appraisal system, and set benchmarks for risk, compliance, internal control and credit reviews. Under this system, our Head Office conducts comprehensive assessments of risk management of our branches and sub-branches.

- **Advanced information technology that improves our ability to manage risk:** We have designed and applied a "new generation" credit management system and credit risk "big-data" forewarning system. This system has optimized our ability to identify, measure, monitor, analyze and control risks. To meet challenges from our clients' increasing use of Internet financial products and services, we have actively introduced and developed advanced technologies. We have also established an integrated "3 in 1" internal control and operating risk management system, which allows us to perform T+1 risk event alert analysis and to make standardized measurements for operating risk. Utilizing big-data technology, we have improved the efficiency and accuracy of pre-loan investigations, credit reviews, loan releases and post-loan management. This has improved our clients' experience with our financial products and services.

- **Effective control of credit risks:** During the Track Record Period, we have attempted to optimize our loan portfolios by clearly establishing credit guidelines on which we select clients, based on industry and region. We have given priority to businesses in certain sectors such as modern agriculture, tourism, education, medical and related industries. At the same time, we have lowered our credit risk exposure to high-risk sectors such as steel, coal and other industries with overcapacity.

Since our inception, we have benefited from a prudent risk management culture, comprehensive risk management system and experienced risk management team, which have allowed us to maintain the quality of our assets while rapidly expanding our credit business.

We have an experienced senior management team, high-quality staff and distinctive company culture.

- **Senior management team with rich experience and strong leadership**. Our senior management team members have an average of 27 years of experience in the Chinese financial industry. Several core senior management personnel have operations management experience in large state-owned commercial banks, having held senior positions such in economics and accounting. Our chairman, Mr. Li Xin, has over 30 years of experience in the Chinese financial industry and in management. Mr. Li Xin has been a leading strategic thinker regarding regional economic development, enterprise systems and financial markets. In February 2015, Xinhua News Agency Gansu branch, the government of Gansu province and the Lanzhou central sub-branch of the PBoC jointly named Mr. Li Xin as "Financier of Longshang" ("隴上金融家").

  We believe we have a first-class management team. Our management has a proven track record that demonstrates their vision in identifying market opportunities and ability to successfully implement our business strategies. Under the leadership of our management team, we have grown rapidly, with total assets, deposits and loans increasing by over 30 times[(1)] since our founding in November 2011 through June 30, 2017. At the same time, we believe our flat organizational structure has enabled our management team to make business decisions efficiently and to quickly respond to changes in the market environment.

- **Workforce with solid professional backgrounds and high morale**. We have formulated "Employee Career Development and Planning," which offers high quality recruitment, a scientific remuneration system, advanced training and diverse channels for advancement to attract, promote, train and retain talent. We have developed a young, well-educated, high caliber workforce. Our middle management mainly comes from large state-owned

(1) Based on our unaudited management accounts as of November 18, 2011, the date we commenced operations, and our audited accounts as of June 30, 2017.

commercial banks, with an average of over 20 years' experience, good educational backgrounds and rich working experience in the financial sector. As of June 30, 2017, we had a total of 3,717 employees, of whom over 87.0% possessed a bachelor's degree or above and 62.5% were under the age of 30, with an average age of 31.5 years.

- **Distinctive and cohesive company culture**. We place great importance on the development of our corporate culture. We emphasize our company culture in virtually every aspect of management. We have gradually developed a series of slogans that reflect our company culture, including "think, act, thrive and succeed", "to create wealth for clients, to create value for Shareholders, to realize the dreams of employees, and to fulfill our responsibilities to society," and "to create a bank that will last hundreds of years by doing everything right." We have also formulated a Company Culture Handbook and Company Culture Implementation Plan to integrate our corporate culture into the daily lives of our employees. Our corporate culture leads employees to work hard together in a united fashion, motivated by a spirit of hard work.
- **Corporate image of making social contributions and participating in social services**. We have shaped our corporate image and built our company brand by actively supporting initiatives that benefit society. In response to the national call to alleviate poverty in China, we provide financial support on behalf of the targeted reduction of poverty. These efforts have strengthened our societal influence and recognition by the public.

OUR DEVELOPMENT STRATEGIES

Our strategic vision is to become a first-class comprehensive financial group encompassing modern commercial banking, consumer finance and financial leasing in western China. We plan to achieve this strategic vision through the following measures.

Improve our ability to provide comprehensive financial services.

We seek to capitalize on the momentum of the regional economy and opportunities in domestic and overseas markets to enhance profitability by offering comprehensive financial products and services, strengthening our cooperation with strategic customers and expanding the geographic reach of our operations.

- **Retail Banking Business**. We plan to increase the variety of our retail products with a focus on innovating retail loans, intelligent deposits, electronic banking products, credit cards and other retail products. We also plan to attract new retail customers and expand our retail customer base by increasing the issuance of social security cards, co-branded cards and theme cards and promoting our Intelligent City and Intelligent Campus programs. In addition, we seek to integrate our online and offline businesses by increasing cooperation with China's well-known Internet companies, financial institutions and third party payment platforms and developing our comprehensive personal financial services platform to enhance our targeted marketing efforts. We plan to strengthen retail customer classification management and offer differentiated products and services based on clients' financial needs to increase revenues from our large mid-to high-end customer base. We also seek to balance the development of physical outlets and electronic channels to promote customer loyalty.
- **Corporate Banking Business**. We wish to increase cooperation with governments by actively participating in key government-led infrastructure development projects,

industrial funds and livelihood projects. We seek to actively develop large state-owned and quality private clients and provide comprehensive financial services to customers. We will also increase our financial support of key green and environmental friendly industry projects such as the pilot project for the facilities of Qilianshan Mountain National Park, in response to national environmental protection policies. We plan to actively develop loan products secured by carbon emission rights and other energy consumption rights to expand the financing channels for green and environmental friendly projects. We aim to become the first bank in western China to adopt the Equator Principles.

- **Financial Market Business**. While developing our traditional monetary markets business, we seek to diversify our interbank businesses and promote the development of cross-market innovative businesses. We wish to increase cooperation with other financial institutions and increase investment in various areas, such as industrial funds, asset restructuring and M&A funds, supply chain finance, trading finance and asset securitization. We also plan to form professional product development teams to promote our innovation efforts and expand the type and number of investment targets for our wealth management products. As we have obtained a license to underwrite the issuance of debt financing instruments on China's interbank market, we plan to actively expand and increase the profitability of our underwriting business, and apply for licenses to lead-underwrite offerings of debt instruments and conduct credit asset securitization businesses.
- **International Business**. We seek to expand our client base in Gansu by capitalizing on Gansu's unique location in the "Silk Road Economic Belt", our operational efficiency, our pricing advantage and our broad branch network in Gansu province. We will focus our marketing efforts on import and export enterprises with which we have business relationships, and expand our international settlements and foreign exchange businesses, such as remittances, export letters of credit, export collections, import collections and cross-border RMB settlements.
- **Comprehensive Financial Services**. As we develop and integrate our existing businesses, we plan to accelerate our applications for licenses in consumer finance, financial leasing, rural banking and other areas to achieve our goal of becoming a comprehensive financial service group.

Promote our differential development and enhance the competitiveness of our "three rurals" and small and micro businesses.

We will continue to develop our "three rurals" business and small and micro businesses and expand our clients in county areas by:

- innovating the form of security and expanding our financial products for agricultural industries in Gansu province, and extending credit to development projects along the entire agricultural industry chain.
- providing credit support to leading agricultural enterprises and new types of agricultural entities, such as rural cooperatives, family farms and emerging rural businesses, including farm-stay, life preservation agriculture, theme farms and creative farming, to expand our business in county areas and improve our operating results; and
- speeding up the development of our rural Internet financial service platform to provide customers in rural areas with comprehensive financial services that cover financing, wealth management, lifestyle, shopping and consultancy.

We seek to build our small and micro enterprise service model in response to the national strategy to promote innovation-driven development and startups by:

- developing a service model incorporating the Internet, big data and client scenarios under our new generation core system; enhancing cooperation with Internet technology companies to expand client acquisition channels and optimize our product portfolio based on internal and external data; and promoting the use of Internet finance in our businesses to enhance our loan review and approval efficiency and profitability. For example, we seek to promote online marketing, applications, reviews, approvals and disbursements of loans to small and micro enterprises; and
- improving cooperation with government authorities, businesses and other associations; screening and selecting small and micro enterprises based on business community, markets, enterprises at the top and bottom of the supply chain and other scenarios; developing innovative and differentiated financial products; and offering clients integrated and medium-to-long term financing planning services to improve client retention and contribution.

Remain at the forefront of, and promote innovation in, financial technology.

We will adapt to the trend of Internet finance, and build a financial technology innovation platform to support business development and product innovation. Specific measures include:

- **Enhance Internet finance innovation**. We plan to accelerate the innovation of Internet finance products in investment, financing, consumption and the supply chain through financial service scenario analysis, our direct sales banking platform, our "Longyin Commerce" platform, and B2B and B2C and other marketing models. We will improve our industrial payments chain, and expand our electronic payment functions to promote the integration between on-line and off-line businesses. We will improve cooperation with third-party Internet companies to provide online settlement services for transactions on internet payment platforms, develop personal consumer credit products, and expand the scope of online supply chain services. We will also integrate social networking websites with mobile banking services to foster the integration of online services used in daily life with financial applications and build a modern Internet banking model.
- **Enhance the study and application of big data technology**. To achieve the objectives of targeted marketing, the development of special credit identification systems and risk prevention and control, we will develop a "big data" database with a clear structure, central management and systematic operations to connect to the "big data" management platform. We will analyze client behavior to target their preferences when developing and promoting our products. We will integrate the resources of banks, clients and merchants and fully connect wealth management general systems, client relationship management systems, local banks, payment settlement channels and electronic channels. We aim to build an integrated marketing platform with management, marketing, product design and "big data" analysis functions, achieving online and offline integrated marketing.
- **Keep abreast of cutting-edge financial technologies**. We will upgrade our facilities with a new model of self-service intelligent facilities starting with intelligent banks and intelligent counters, consider utilizing "robo-advisers" to provide financial advice online, explore emerging applications that suit our business development, and actively research advanced technologies such as the Internet of Things (IoT).

Enhance micro management to enhance compliance enforcement in our operations.

We are committed to improving our risk management system as well as our ability to identify and control risks. We plan to implement the following measures:

- Adhere to the risk philosophy of "respect the system, operate with full compliance", improve our overall risk management system, and promote the development of our internal control and compliance management system based on the concept of making our risk management personnel more professional and our risk management structure more vertical.
- Establish a multi-level risk limit management system, under which we formulate the tolerance levels for various risks, set risk limits for customers of different sizes, industries and geographic regions as well as various types of products based on our risk preferences, and monitor and manage risk limits for different businesses.
- Develop a professional risk management team, improve our regular risk management training system, enhance the management and evaluation of credit review and risk management personnel, and raise the professional standards and overall quality of risk management personnel.
- Through the implementation of the Basel III Agreement, optimize our various risk measurement systems and enhance the application of information technology in risk management.
- Actively foster a culture of compliance, enhance employees' initiative in compliance and adherence to the relevant practice code to ensure that our operations comply with the requirements of regulatory bodies and our own requirements.

Underscore the importance of talent and continue to enhance the unity of our employees.

In order to attract, motivate and nurture bright talent, and to ensure the sufficiency of our workforce to maintain and develop our business, we plan to:

- **recruit talented personnel**. We will establish a recruiting system that is in line with the standards of modern companies and the demands of competitive market, and strengthen our efforts in recruiting strategic and high-quality personnel talented in product R&D, financial markets and network finance to improve our employee structure.
- **enhance efforts in employee training**. We will focus on raising the quality and improving the professional skills of our employees in different positions by providing them with tailored, multi-level and professional training.
- **improve employee career development**. We will implement career development planning and diversify development opportunities for employees. We will conduct comprehensive evaluation of employees' performance, implement market-based remuneration and incentive schemes and maximize the spirit and enthusiasm of our workforce.
- **emphasize the caring of employees**. We will promote our company culture, create a family-like work environment and implement employee-care plans to strengthen the unity of our workforce.

OUR PRINCIPAL BUSINESSES

Our principal business lines include corporate banking, retail banking and financial market operations. The following table sets forth our operating income by business line for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in millions of RMB, except percentages)									
Corporate banking	1,805.6	50.1%	3,122.5	58.9%	4,077.7	58.5%	2,024.4	61.9%	2,111.8	52.2%
Retail banking	622.4	17.3%	226.0	4.3%	767.2	11.0%	273.4	8.4%	370.1	9.1%
Financial market operations	1,118.4	31.0%	1,916.5	36.1%	2,050.8	29.4%	955.8	29.2%	1,474.8	36.4%
Others(1)	56.0	1.6%	37.8	0.7%	75.2	1.1%	15.9	0.5%	93.8	2.3%
Total	**3,602.4**	**100.0%**	**5,302.8**	**100.0%**	**6,970.9**	**100.0%**	**3,269.5**	**100.0%**	**4,050.5**	**100.0%**

Note:
(1) Primarily represent assets, liabilities, income and expenses which cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.

Corporate Banking

We offer corporate customers a broad range of financial products and services, including loans, discounted bills, deposits and fee- and commission-based products and services. Our corporate customers primarily include government agencies, public organizations, SOEs, private enterprises and foreign-invested enterprises. We are committed to serving local customers with a focus on small and micro enterprises.

In addition, we committed to seeking to develop long-term relationships with customers by closely monitoring their financial needs and offering tailored financial solutions. As of June 30, 2017, we had over 4,300 corporate borrowers with total loans of RMB89,601.3 million, and over 55,000 corporate deposit customers with total deposits of RMB76,853.8 million. In 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, operating income from our corporate banking business accounted for 50.1%, 58.9%, 58.5%, 61.9% and 52.2% of our total operating income, respectively.

Corporate Loans

During the Track Record Period, corporate loans constituted the largest component of our loan portfolio. As of December 31, 2014, 2015 and 2016 and June 30, 2017, corporate loans amounted to RMB48,754.5 million, RMB72,636.3 million, RMB85,271.6 million and RMB89,601.3 million, accounting for 86.3%, 80.2%, 79.1% and 75.8% of our total loans and advances to customers, in each case respectively.

Loans to corporate borrowers in the wholesale and retail, manufacturing and agriculture, forestry, animal husbandry and fishery industries are the largest components of our corporate loan portfolio. As of June 30, 2017, loans to corporate borrowers in these industries accounted for 17.9%, 16.8% and 16.4% of our total corporate loans, respectively. We also seek to develop customers in the livelihood, infrastructure, environmental protection, culture and tourism and technology industries to capitalize on market opportunities arising from the economic growth of Gansu province.

Since August 2015, we have participated in targeted poverty reduction projects led by the PRC government by extending unsecured loans to companies established by local government authorities in Dingxi, Gansu to receive and grant poverty-reduction loans. These companies then offer loans of RMB30,000 to RMB50,000 to eligible poverty-stricken individuals through our Dingxi branch. Local government authorities in Dingxi have agreed to repay these loans to us if the borrowers of these loans fail to do so. However, this undertaking may not be enforceable under PRC law. Please see "Risk Factors—We are exposed to risks related to targeted poverty reduction loans" for details of the risks associated with loans that we have granted for poverty reduction purposes.

As of December 31, 2015 and 2016 and June 30, 2017, total loans granted for poverty reduction purposes amounted to RMB3,326.0 million, RMB6,594.6 million and RMB6,591.0 million, respectively, representing approximately 4.6%, 7.7% and 7.4% of our total corporate loans, and approximately 3.7%, 6.1% and 5.6% of our total loans and advances to customers, in each case respectively.

Distribution of Corporate Loans by Product Type

We provide our corporate customers with a variety of loan products, including working capital loans and fixed assets loans. The following table sets forth our corporate loans by product type as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Working capital loans	32,207.7	66.1%	50,539.3	69.6%	59,994.1	70.4%	63,015.3	70.3%
Fixed asset loans	15,411.2	31.6%	20,980.5	28.9%	25,102.0	29.4%	26,038.9	29.1%
Others(1)	1,135.6	2.3%	1,116.5	1.5%	175.5	0.2%	547.1	0.6%
Total corporate loans	**48,754.5**	**100.0%**	**72,636.3**	**100.0%**	**85,271.6**	**100.0%**	**89,601.3**	**100.0%**

Note:
(1) Primarily consists of advances under bank acceptance bills.

Distribution of Corporate Loans by Maturity

The following table sets forth corporate loans by maturity as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Medium- and long-term loans (over one year)	21,943.9	45.0%	32,709.9	45.0%	41,222.5	48.3%	44,815.9	50.0%
Short-term loans (one year or less)	26,810.6	55.0%	39,926.4	55.0%	44,049.1	51.7%	44,785.4	50.0%
Total corporate loans	**48,754.5**	**100.0%**	**72,636.3**	**100.0%**	**85,271.6**	**100.0%**	**89,601.3**	**100.0%**

Distribution of Corporate Loans by Borrower Size

The following table sets forth corporate loans by borrower size as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(in millions of RMB, except percentages)							
Small and micro enterprises(1)	23,858.4	48.9%	37,746.4	52.0%	49,133.9	57.6%	57,005.3	63.6%
Medium enterprises(1)	15,732.5	32.3%	23,929.4	32.9%	21,241.0	24.9%	22,166.7	24.7%
Large enterprises(1)	9,163.6	18.8%	10,960.5	15.1%	14,896.7	17.5%	10,429.3	11.7%
Total corporate loans	**48,754.5**	**100.0%**	**72,636.3**	**100.0%**	**85,271.6**	**100.0%**	**89,601.3**	**100.0%**

Note:

(1) The classifications of large, medium, small and micro enterprises are based on the Provisions on the Standards for classifying Small and Micro Enterprises.

Loans to Large and Medium Enterprises

We offer a wide range of loan products to large and medium enterprises to meet their financial needs. Our large and medium corporate customers include market-leading state-owned and private enterprises from a broad range of industries, such as agriculture, forestry, animal husbandry and fishery, wholesale and retail, manufacturing and construction industries.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, loans to large and medium enterprises were RMB24,896.1 million, RMB34,889.9 million, RMB36,137.7 million and RMB32,596.0 million, accounting for 51.1%, 48.0%, 42.4% and 36.4% of our total corporate loans, in each case respectively.

Loans to Small and Micro Enterprises

Our small and micro corporate customers primarily engage in the wholesale and retail, agriculture, forestry, animal husbandry and fishery, and manufacturing industries. We have established a department dedicated to serving the "three rurals" sector and small and micro enterprises at each of our branches and sub-branches.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, loans to small and micro enterprises were RMB23,858.4 million, RMB37,746.4 million, RMB49,133.9 million and RMB57,005.3 million, accounting for 48.9%, 52.0%, 57.6% and 63.6% of our total corporate loans, in each case respectively. As of June 30, 2017, we ranked No.3 among all banking financial institutions in Gansu province in terms of loans to small and micro enterprises, according to the CBRC.

Utilizing our deep understanding of Gansu province's local economy and market trends, we have launched featured products and services for small and micro enterprises, which include mutual-aid loans for small and micro enterprises that are secured by funds contributed by government agencies and enterprises. As of June 30, 2017, funding loans to small and micro enterprises had an outstanding balance of RMB2,397.6 million.

In addition, we offer loan products secured by forest rights, land and livestock to rural small and micro enterprises to fund their working capital needs.

Discounted Bills

We purchase bank and commercial acceptance bills with remaining maturities of up to one year at discounted prices to satisfy the short-term funding needs of banks and corporate customers. As of December 31, 2014, 2015 and 2016 and June 30, 2017, discounted bills totaled RMB5,192.4 million, RMB12,154.5 million, RMB14,681.6 million and RMB18,022.4 million, accounting for 9.2%, 13.4%, 13.6% and 15.3% of our total loans and advances to customers, in each case respectively.

Corporate Deposits

We accept demand and time deposits denominated in Renminbi and major foreign currencies (including USD, HK dollar and Euro) from corporate customers. As of December 31, 2014, 2015 and 2016 and June 30, 2017, corporate deposits totaled RMB42,169.6 million, RMB60,089.7 million, RMB77,103.0 million and RMB76,853.8 million, accounting for 38.1%, 42.6%, 45.0% and 41.1% of our total customer deposits, in each case respectively.

As of the same dates, our pledged deposits were RMB22,971.1 million, RMB22,222.0 million, RMB18,059.6 million and RMB16,352.7 million, accounting for 20.8%, 15.8%, 10.6% and 8.7% of our total customer deposits, in each case respectively. As of December 31, 2014, 2015 and 2016 and June 30, 2017, we had 22,155, 36,167, 48,776 and 55,408 corporate deposit customers, respectively.

We seek to collaborate with large and medium enterprises in Gansu province by providing them with comprehensive financial products and services, and developing their suppliers and distributors into our customers. As of June 30, 2017, we ranked No.1 among all banking financial institutions operating in Gansu province in terms of total amount of corporate deposits, pledged deposits and non-banking deposits, according to the PBoC.

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

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Demand deposits	34,435.5	81.7%	45,968.9	76.5%	56,499.7	73.3%	58,928.2	76.7%
Time deposits	7,734.1	18.3%	14,120.8	23.5%	20,603.3	26.7%	17,925.6	23.3%
Total corporate deposits	**42,169.6**	**100.0%**	**60,089.7**	**100.0%**	**77,103.0**	**100.0%**	**76,853.8**	**100.0%**

Fee- and Commission-based Products and Services

We offer corporate customers a broad range of fee- and commission-based products and services, primarily including wealth management services, entrusted loans, settlement services and consultation and financial advisory services.

Wealth Management Services

We offer corporate customers a broad range of wealth management products based on their risk and return preferences. We invest funds from these wealth management products primarily in bonds, interbank deposits, money market instruments and other fixed income products.

In 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, wealth management products sold to corporate customers totaled RMB7,550.4 million, RMB6,961.2 million, RMB1,516.4 million, RMB639.1 million and RMB785.9 million, respectively.

Entrusted loans

We provide loans to borrowers designated by corporate customers, who determine the use of proceeds, principal amount and interest rates for these loans. We monitor the use of entrusted loans by borrowers and assist corporate customers in recovering these loans.

We charge agency fees based on the principal amount of entrusted loans. Our corporate customers bear the risk of default associated with these loans. In 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, service fees charged to corporate customers for entrusted loans totaled RMB41.9 million, RMB67.2 million, RMB99.6 million, RMB39.4 million and RMB57.1 million, respectively.

Settlement Services

We offer corporate customers domestic and international settlement services.

Domestic Settlement Services. We provide domestic settlement services in the form of bank acceptance bills, collections and telegraphic transfers. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our total domestic settlement transaction volumes were RMB17,106.9 billion, RMB13,007.0 billion, RMB8,344.3 billion and RMB7,105.2 billion, respectively.

International Settlement Services. We obtained approval to provide international settlement services in January 2014. Our international settlement services primarily include exchange settlement and surrendering, remittances, import collections and export letters of credit.

As of the Latest Practicable Date, we established cooperative relationships with eighteen overseas corporate customers. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our international settlement transaction volumes were US$0.9 million, US$53.1 million, US$204.0 million and US$198.1 million, of which settlement transactions involving Iran had total volumes of nil, US$30.6 million, US$151.2 million and US$181.3 million, in each case respectively. For details of our settlement transactions involving Iran, please see "Business—Business Activities Involving Sanctioned Countries".

Consultation and Financial Advisory Services

We structure financial solutions and offer advisory services with respect to the economy, financial markets and industry trends for corporate customers. In 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our fee and commission income from consultation and financial advisory services were RMB1.3 million, RMB2.4 million, RMB2.4 million, nil and RMB0.8 million, respectively.

Other Fee- and Commission-based Products and Services

We offer other fee- and commission-based products and services to corporate customers, such as guarantee and foreign exchange services.

Retail Banking

We offer retail customers a wide range of financial products and services, including loans, deposits, bank card services and fee- and commission-based products and services. We have a large retail customer base.

As of June 30, 2017, we had over 80,000 retail borrowers with total loans of RMB10,546.2 million and over 4.6 million retail deposit customers with total deposits of RMB78,079.1 million. In 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, operating income from our retail banking business accounted for 17.3%, 4.3%, 11.0%, 8.4% and 9.1% of our total operating income, respectively.

We categorize retail banking customers into regular customers (with average financial asset balances of under RMB50,000), wealth management customers (with average financial asset balances of RMB50,000 or above but less than RMB200,000), wealthy customers (with average financial asset balances of RMB200,000 or above but less than RMB3.0 million) and private banking customers (with average financial asset balances of RMB3.0 million or above).

As of June 30, 2017, we had over 100,000 wealthy customers and over 950 private banking customers. We continue to grow our wealthy customer and private banking customer base by expanding our product and service portfolio.

Retail Loans

We offer retail customers personal business loans, personal consumption loans and personal residential and commercial mortgage loans. As of December 31, 2014, 2015 and 2016 and June 30, 2017, retail loans totaled RMB2,548.6 million, RMB5,835.9 million, RMB7,901.9 million and RMB10,546.2 million, accounting for 4.5%, 6.4%, 7.3% and 8.9% of our total loans and advances to customers, in each case respectively.

The following table sets forth our retail loans by product type as of the dates indicated:

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Personal business loans	1,404.8	55.1%	3,830.0	65.6%	3,696.7	46.8%	4,081.0	38.7%
Residential and commercial mortgage loans	515.3	20.2%	1,226.5	21.0%	2,501.2	31.6%	3,718.0	35.3%
Personal consumption loans	628.5	24.7%	779.4	13.4%	1,704.0	21.6%	2,747.2	26.0%
Total retail loans	**2,548.6**	**100.0%**	**5,835.9**	**100.0%**	**7,901.9**	**100.0%**	**10,546.2**	**100.0%**

Personal Business Loans

We offer loans to the owners of private enterprises and sole proprietors to fund their operations. These loans are generally secured by collateral, pledges or guarantees, and have maturities of up to 5 years. As of June 30, 2017, personal business loans totaled RMB4,081.0 million, accounting for 38.7% and 3.5% of our retail loans and our total loans and advances to customers, respectively.

We have launched a wide variety of featured business loan products based on the financial needs of our customers, primarily including:

- Tax e-Financing (税e融) Loans: working capital loans to private enterprise owners and sole proprietors based on their tax filing records. Customers may apply for these loans online and the loans generally have maturities of up to one year.
- E-commerce Loans (電商e貸): loans to E-commerce customers based on their trading histories through our E-commerce platform. These loans generally have maturities of up to one year.

Personal Residential and Commercial Mortgage Loans

We offer retail customers mortgage loans to fund the purchase of residential and commercial properties. These loans generally have maturities of up to thirty years and are generally secured by the properties purchased. As of June 30, 2017, personal residential and commercial mortgage loans totaled RMB3,718.0 million, accounting for 35.3% and 3.1% of our retail loans and our total loans and advances to customers, respectively.

Personal Consumption Loans

We offer loans to retail customers for their personal and family consumption needs. As of June 30, 2017, our personal consumption loans totaled RMB2,747.2 million, accounting for 26.0% and 2.3% of our retail loans and our total loans and advances to customers, respectively.

Consumption loan products offered to our customers primarily include:

- Salary e-Financing (薪e融) Loans: consumption loans to the employees of corporate users of our payroll services based on the borrower's payroll account information. Customers can apply for these loans online and the loans generally have maturities of up to five years.
- Expedited Loans for Civil Servants (公務快貸): consumption loans to eligible civil servants and employees of public organizations with maturities of generally up to five years.
- Consumption e-Financing (消e融) Loans: consumption loans secured by a borrower's real property. The maturities of these loans generally do not exceed ten years.
- Particle Loans (微粒貸): online unsecured and revolving personal consumption loans offered to eligible customers with maturities of generally up to twenty months and with loan amounts of RMB500 to RMB300,000.
- Gold e-Financing (金e融) Loans: consumption loans based on a borrower's contribution to housing provident funds. These loans can be used for consumption purposes except for the purchase of residential properties, and generally have maturities of up to one year.

Retail Deposits

We accept demand and time deposits denominated in Renminbi and major foreign currencies from retail customers. As of December 31, 2014, 2015 and 2016 and June 30, 2017, retail deposits totaled RMB30,416.1 million, RMB50,615.8 million, RMB63,610.0 million and RMB78,079.1 million, accounting for 27.5%, 35.9%, 37.2% and 41.8% of our total customer deposits, in each case respectively.

The following table sets forth retail deposits by product type as of the dates indicated:

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Time deposits	22,158.9	72.9%	32,591.6	64.4%	43,494.8	68.4%	55,053.7	70.5%
Demand deposits	8,257.2	27.1%	18,024.2	35.6%	20,115.2	31.6%	23,025.4	29.5%
Total retail deposits	**30,416.1**	**100.0%**	**50,615.8**	**100.0%**	**63,610.0**	**100.0%**	**78,079.1**	**100.0%**

Bank Card Services

Debit Cards

We issue debit cards denominated in Renminbi to retail customers holding deposit accounts with us. Customers may use debit cards for a variety of purposes, such as cash deposits and withdrawals, transfers, payments, settlements, consumption, bill payments, financing and wealth management. We provide cardholders with differentiated services by classifying debit cards into basic cards, gold cards, platinum cards and diamond cards based on a bank cardholder's deposit balances.

To expand our customer base and service scope, we issue the following debit cards in cooperation with government agencies and public organizations:

- *Social Security Card (社會保障卡):* We work with the Department of Human Resources and Social Security of Gansu Province (甘肅省人力資源和社會保障廳) to issue debit cards, which can be used for making social security contributions and social security information inquiries.
- *Housing Provident Fund Co-branded Cards (公積金聯名卡):* We work with the local housing provident fund management center to issue debit cards, which can be used for withdrawal and transfer of housing provident funds, loan distribution and account inquiries.
- *Longyuan Transportation Cards (隴原交通卡):* We work with the Gansu Province Expressway Management Bureau to issue debit cards, which can be used for paying expressway tolls electronically.

In addition, to enhance our brand recognition, we cooperate with local governments to issue theme cards based on regional characteristics of Gansu province, such as the Golden Tower Golden Poplar Card (金塔金胡楊卡), Xiongguan Card (雄關卡), the Journey of Xuanzang Card (玄奘之路卡) and Long Nan Landscape Card (隴南山水卡). We also cooperate with various institutions in issuing co-branded cards, including the Gansu Police Vocational College Co-branded Card (甘肅警察職業學校聯名卡), Tianshui High School Student Aid Card (天水高中生資助卡) and Qingyang Traffic Police Co-branded Card (慶陽交警聯名卡).

As of December 31, 2014, 2015 and 2016 and June 30, 2017, we had issued approximately 1.6 million, 3.1 million, 4.5 million and 5.6 million debit cards, respectively. In 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, holders of these debit cards conducted transactions of approximately RMB8,329.8 million, RMB12,119.6 million, RMB16,639.7 million, RMB7,854.9 million and RMB8,166.8 million, respectively.

Credit Cards

In August 2013, we obtained approval to issue the Official Financial and Business Card (財政公務卡) to employees that work in budgetary institutions in Gansu province, mainly to cover their daily official expenses, reimbursements and personal consumption needs.

We obtained approval to issue credit cards in June 2016.

POS Settlement Services

As a payment settlement service provider, we provide selected merchants with transaction fund settlement services. As of June 30, 2017, we had 15,302 selected merchant customers and 18,941 POS terminals.

Fee- and Commission-based Products and Services

We offer retail customers a wide range of fee- and commission-based products and services, primarily including wealth management services, agency services and payroll and payment agency services.

Wealth Management Services

We offer retail customers wealth management products under our Huifu (匯福) series based on their risk and return preferences. We invest funds from these wealth management products primarily in bonds, interbank deposits, money market instruments and other fixed income products.

In 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, wealth management products sold to retail customers totaled RMB17,554.3 million, RMB22,392.3 million, RMB32,933.5 million, RMB14,354.7 million and RMB11,223.2 million, respectively. As of June 30, 2017, we had over 191,000 retail wealth management clients and the return rate of our wealth management products was between 3.5% to 5.0% in 2016.

Agency Services

We sell insurance and precious metal products to retail customers as an agent.

Insurance Products. As of June 30, 2017, we had entered into agency agreements with six nationwide insurance companies to promote and distribute their insurance products.

Precious Metal Products. We received approval to distribute precious metals in China in August 2015. In 2016 and the six months ended June 30, 2017, we sold an aggregate of RMB36.0 million and RMB36.6 million of precious metal products, respectively.

In October 2016, Dunhuang Research Academy granted us an exclusive license to jointly develop and sell precious metal products featuring Mogao Grottoes.

In addition, we have completed the development of a fund agent system and fund qualification training for our employees.

Payroll and Payment Agency Services

Payroll Services. We provide payroll services to governmental agencies, public organizations and enterprises customers. As of December 31, 2014, 2015 and 2016 and June 30, 2017, we had over 210,000, 460,000, 690,000 and 540,000 payroll customers, respectively. In 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, we paid, in the role of paying agent, average monthly salaries of approximately RMB387.5 million, RMB1,033.4 million, RMB1,407.1 million, RMB1,373.1 million and RMB1,359.1 million, respectively.

Payment Agency Services. We offer customers payment agency services related to daily living expenses (such as utilities costs) through our broad distribution network.

Other Fee- and Commission-based Products and Services

We offer other fee- and commission-based products and services to retail customers, such as fund transfer, remittance and acceptance services.

Financial Market Operations

Our financial market operations, which primarily include money market transactions, investment business and wealth management business, are one of our most important revenue sources. In 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, operating income from financial market operations accounted for 31.0%, 36.1%, 29.4%, 29.2% and 36.4% of our total operating income, respectively.

Money Market Transactions

We adjust our liquidity using various monetary market instruments and earn interest income from money market transactions. Money market transactions primarily include (i) interbank deposits; (ii) interbank placements; and (iii) repurchase and reverse repurchase transactions.

Interbank Deposits

We deposit and withdraw funds from banks and other financial institutions to manage our assets and liabilities. We accept deposits from banks and other financial institutions and deposit money in banks and other financial institutions, and also engage in other interbank transactions with certain of these banks and financial institutions.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, deposits from banks and other financial institutions totaled RMB37,049.6 million, RMB39,934.3 million, RMB35,777.4 million and RMB28,609.9 million, and our deposits at banks and other financial institutions totaled RMB19,427.7 million, RMB26,573.8 million, RMB24,571.9 million and RMB42,774.9 million, in each case respectively.

Interbank Placements

As of December 31, 2014, 2015 and 2016 and June 30, 2017, we did not make any placements with banks and other financial institutions. As of the same dates, placements from banks and other financial institutions totaled RMB80.0 million, RMB700.0 million, nil and RMB50.0 million, respectively.

Repurchase and Reverse Repurchase Transactions

The securities underlying our repurchase and reverse repurchase transactions are mainly RMB-denominated PRC government bonds and policy financial bonds. As of December 31, 2014, 2015, 2016 and June 30, 2017, financial assets held under resale agreements totaled RMB4,893.9 million, nil, RMB498.1 million and RMB15,749.2 million, and financial assets sold under repurchase agreements totaled RMB2,010.4 million, RMB5,206.1 million, RMB4,580.5 million and RMB7,572.9 million, in each case respectively.

Investment Business

Our investment portfolio has a broad range of products, primarily including: (i) standard investments, such as debt securities issued by the PRC government, PRC policy banks, PRC commercial banks and other financial institutions and corporate issuers, and public funds managed by fund companies, and (ii) non-standard credit assets, such as trust plans, asset management plans and wealth management products.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, our investments totaled RMB62,514.2 million, RMB71,582.7 million, RMB89,018.1 million and RMB67,121.2 million, accounting for 37.9%, 33.8%, 36.3% and 24.9% of our total assets as of the same dates, in each case respectively.

The following table sets forth the total amount and categories of our investments by product type as of the dates indicated:

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Standard investments	1,880.8	3.0%	6,790.9	9.4%	10,738.8	12.1%	13,880.9	20.6%
Non-standard credit assets								
Asset management plans	38,659.5	61.9%	47,299.1	66.1%	56,569.3	63.5%	41,792.6	62.3%
Trust plans	19,570.1	31.3%	17,384.9	24.3%	21,605.4	24.3%	11,335.0	16.9%
Wealth management products	2,403.8	3.8%	107.8	0.2%	104.6	0.1%	112.8	0.2%
Sub-total	60,633.4	97.0%	64,791.8	90.6%	78,279.3	87.9%	53,240.4	79.4%
Total	**62,514.2**	**100.0%**	**71,582.7**	**100.0%**	**89,018.1**	**100.0%**	**67,121.3**	**100.0%**

The following table sets forth the total amount and breakdown of our income from investments for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(unaudited)	
	(in millions of RMB)				
Interest income of financial investments					
Available-for-sale financial assets	498.1	420.4	179.3	110.4	136.0
Debt securities classified as receivables	3,058.4	3,889.1	4,237.6	1,969.7	2,297.2
Held-to-maturity investments	48.0	159.3	213.4	100.4	126.3
Financial assets at fair value through profit or loss	—	16.0	38.9	23.2	24.7
Sub-total	**3,604.5**	**4,484.8**	**4,669.2**	**2,203.7**	**2,584.2**
Net trading (losses)/gains	—	(6.1)	(8.0)	6.3	(3.9)
Net losses arising from financial investments	—	(1.0)	—	—	—
Total	**3,604.5**	**4,477.7**	**4,661.2**	**2,210.0**	**2,580.3**

Standard Investments

We invest in debt securities issued by the PRC government, PRC policy banks, PRC commercial banks and other financial institutions and corporations in the PRC. We also invest in public funds, which primarily invest in debt securities. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our standard investments totaled RMB1,880.8 million, RMB6,790.9 million, RMB10,738.8 million and RMB13,880.9 million, respectively. These investments accounted for 17.5%, 56.1%, 80.5% and 90.3% of our net assets as of such dates, accounting for 1.1%, 3.2%, 4.4% and 5.2% of our total assets, in each case respectively.

The following table sets forth the total amount and breakdown of our standard investments by issuer type as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)							
Debt securities issued by PRC policy banks	—	—	3,882.2	57.2%	4,385.9	40.8%	5,813.9	41.9%
Local government bonds	—	—	334.8	4.9%	1,469.7	13.7%	2,440.2	17.6%
Treasury bonds	—	—	—	—	1,902.5	17.7%	2,110.9	15.2%
Debt securities issued by corporations	1,870.8	99.5%	1,870.5	27.5%	2,031.6	18.9%	1,799.7	13.0%
Debt securities issued by commercial banks and other financial institutions	—	—	693.4	10.2%	542.7	5.1%	1,307.0	9.4%
Public funds managed by fund companies	10.0	0.5%	10.0	0.2%	406.4	3.8%	409.2	2.9%
Total	**1,880.8**	**100.0%**	**6,790.9**	**100.0%**	**10,738.8**	**100.0%**	**13,880.9**	**100.0%**

We use various tools to evaluate the market risks associated with our standard investments. Based on these analyses, we formulate contingency plans and timely adjust our investment strategies. Please see "Risk Management—Market Risk Management—Market Risk Management for Trading Book" for further information.

In 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, income from our standard investments was RMB48.1 million, RMB183.7 million, RMB332.6 million, RMB164.7 million and RMB240.2 million, accounting for 1.3%, 4.1%, 7.1%, 7.5% and 9.3% of our total income from investments, in each case respectively. During the same periods, the average yield on our standard investments was approximately 5.18%, 4.26%, 3.90%, 4.54% and 4.04%, respectively.

Investments in Non-standard Credit Assets

We invest in non-standard credit assets, such as trust plans, asset management plans and wealth management products issued by other PRC financial institutions. We purchase and sell non-standard credit assets to adjust our investment portfolio based on investment considerations, market conditions and other factors, including the yield, maturity, risk and liquidity of these investments. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our investments in non-standard credit assets totaled RMB60,633.4 million, RMB64,791.8 million, RMB78,279.3 million and RMB53,240.4 million, respectively. These investments accounted for 564.0%, 535.7%, 586.6% and 346.4% of our net assets as of such dates, accounting for 36.7%, 30.6%, 31.9% and 19.8% of our total assets, in each case respectively.

In 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, income from our investments in non-standard credit assets was RMB3,556.4 million, RMB4,294.0 million, RMB4,328.6 million, RMB2,045.3 million and RMB2,340.1 million, accounting for 98.7%, 95.9%, 92.9%, 92.5% and 90.7% of our total income from investments, in each case respectively. During the same periods, the average yield on our non-standard credit assets was approximately 8.24%, 8.03%, 6.28%, 6.70% and 6.00%, respectively.

The following table sets forth the breakdown of the income from and the average yield on our non-standard credit assets investment by product type for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Income	Average Yield(1)	Income	Average Yield(1)	Income	Average Yield(1)	Income	Average Yield(1)	Income	Average Yield(1)
	(in millions of RMB, except for percentages)									
Asset management plans	2,115.0	8.27%	2,806.5	8.08%(2)	2,909.5	6.27%(2)	1,431.2	6.65%	2,020.0	6.05%
Trust plans	1,434.1	8.21%	1,480.8	7.95%(2)	1,380.3	6.42%(2)	595.3	6.92%	303.0	5.70%
Wealth management products	7.3	6.89%	6.7	6.70%(2)	38.8	3.88%(2)	18.8	2.45%(3)	17.1	5.77%(3)
Total	**3,556.4**	**8.24%**	**4,294.0**	**8.03%**	**4,328.6**	**6.28%**	**2,045.3**	**6.70%**	**2,340.1**	**6.00%**

Notes:

(1) Average yields are calculated by dividing income from the relevant investments or assets by their average daily balances in our unaudited management accounts.

(2) We earned lower yields on our investments in asset management plans, trust plans and wealth management products in 2016 compared to 2015, primarily because issuers of these products offered lower interest rates on these products due to increased availability of alternative funding as market liquidity improved.

(3) The average yields of our investments in wealth management plans were relatively lower in the six months ended June 30, 2016 than in the same period in 2017, primarily because we made more investments in short-term wealth management products with lower yields in the six months ended June 30, 2016 compared to the same period in 2017.

We evaluate and manage the risks associated with our non-standard credit assets based on the nature of their underlying assets. The following table sets forth the total amount and breakdown of our investments in non-standard credit assets by underlying asset as of June 30, 2017.

	As of June 30, 2017				
	Trust plans	Asset management plans	Wealth management products	Total	% of total
	(in millions of RMB, except for percentages)				
Fixed-income credit assets	10,496.8	38,929.0	—	49,425.8	92.8%
Debt securities	803.2	2,863.6	112.8	3,779.6	7.1%
Others	35.0	—	—	35.0	0.1%
Total	**11,335.0**	**41,792.6**	**112.8**	**53,240.4**	**100.0%**

The following table sets forth the total amount and breakdown of our investments in non-standard credit assets by collateral type as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)							
Secured by collateral	**30,972.7**	**51.1%**	**32,320.1**	**50.0%**	**38,303.9**	**48.9%**	**14,258.1**	**26.8%**
Secured by land or real properties	15,550.4	25.6%	19,192.3	29.6%	22,914.4	29.3%	10,205.3	19.2%
Secured by equity interests in unlisted companies	1,668.0	2.8%	1,900.0	2.9%	5,320.0	6.8%	2,280.0	4.3%
Secured by equity interests in listed companies	200.0	0.3%	3,880.0	6.1%	539.0	0.7%	1,150.0	2.2%
Secured by deposits	13,554.3	22.4%	7,182.8	11.1%	9,232.6	11.8%	612.8	1.1%
Secured by account receivables	—	0.0%	165.0	0.3%	297.9	0.3%	10.0	0.0%
Third-party guarantee from	**10,797.8**	**17.8%**	**12,539.0**	**19.2%**	**20,455.2**	**26.2%**	**21,331.2**	**40.1%**
Unlisted companies	10,147.8	16.7%	11,889.0	18.2%	19,705.2	25.2%	19,730.2	37.1%
Individuals	150.0	0.3%	150.0	0.2%	750.0	1.0%	1,261.0	2.4%
Listed companies	500.0	0.8%	500.0	0.8%	—	0.0%	340.0	0.6%
Unsecured	**18,862.9**	**31.1%**	**19,932.7**	**30.8%**	**19,520.2**	**24.9%**	**17,651.0**	**33.1%**
Financial institutions	4,691.3	7.7%	7,253.7	11.2%	2,157.3	2.8%	13,801.0	25.9%
Non-financial institutions	14,171.6	23.4%	12,679.0	19.6%	17,362.9	22.1%	3,850.0	7.2%
Total	**60,633.4**	**100.0%**	**64,791.8**	**100.0%**	**78,279.3**	**100.0%**	**53,240.4**	**100.0%**

The following table sets forth the total amount and breakdown of our investments in non-standard credit assets by level of collateralization as of June 30, 2017.

	As of June 30, 2017				
	Trust plans	Asset management plans	Wealth management products	Total	% of total
	(in millions of RMB, except for percentages)				
Secured by collateral					
Secured by land or real properties	4,497.3	5,708.0	—	10,205.3	19.2%
Secured by equity interests in unlisted companies	910.0	1,370.0	—	2,280.0	4.3%
Secured by equity interests in listed companies	750.0	400.0	—	1,150.0	2.2%
Secured by deposits	—	500.0	112.8	612.8	1.1%
Secured by account receivables	—	10.0	—	10.0	0.0%
Sub-total	**6,157.3**	**7,988.0**	**112.8**	**14,258.1**	**26.8%**
Third-party guarantee from					
Unlisted companies	3,288.2	16,442.1	—	19,730.3	37.1%
Individuals	777.0	484.0	—	1,261.0	2.4%
Listed companies	—	340.0	—	340.0	0.6%
Sub-total	**4,065.2**	**17,266.1**	**—**	**21,331.3**	**40.1%**
Unsecured					
Financial institutions	1,087.5	12,713.5	—	13,801.0	25.9%
Non-financial institutions	25.0	3,825.0	—	3,850.0	7.2%
Sub-total	**1,112.5**	**16,538.5**	**—**	**17,651.0**	**33.1%**
Total	**11,335.0**	**41,792.6**	**112.8**	**53,240.4**	**100.0%**

The following table sets forth the distribution of our investments in trust plans and asset management plans by industry as of June 30, 2017.

	As of June 30, 2017			
	Trust plans	Asset management plans	Total	% of total
	(in millions of RMB, except for percentages)			
Leasing and business services	3,162.2	9,442.0	12,604.2	23.7%
Finance	1,087.5	11,371.1	12,458.6	23.5%
Wholesale and retail	768.3	5,743.1	6,511.4	12.3%
Real estate	2,400.0	2,980.0	5,380.0	10.1%
Manufacturing	734.0	3,185.8	3,919.8	7.4%
Scientific research, technical services and geological prospecting	500.0	1,800.0	2,300.0	4.3%
Information transmission, computer services and software	700.0	1,084.0	1,784.0	3.4%
Transportation, storage and postal services	1,081.0	549.2	1,630.2	3.1%
Water, environment and public facility management	440.0	700.0	1,140.0	2.1%
Cultural, sports and entertainment	—	1,099.0	1,099.0	2.1%
Mining	227.0	645.0	872.0	1.6%
Construction	110.0	709.0	819.0	1.5%
Health and social services	—	432.0	432.0	0.8%
Agriculture, forestry, animal husbandry and fishery	10.0	400.0	410.0	0.8%
Electricity, heating, gas and water production and supply	80.0	310.0	390.0	0.7%
Others	35.0	1,342.4	1,377.4	2.6%
Total	**11,335.0**	**41,792.6**	**53,127.6**	**100.0%**

The following tables set forth the five largest end borrowers under our trust plans that have a single borrower as of the dates indicated.

	As of December 31, 2014		
	Industry	Amount	% of investments in trust plans
	(in millions of RMB, except percentages)		
Borrower A	Wholesale and retail	1,600.0	8.2%
Borrower B	Construction	1,500.0	7.7%
Borrower C	Transportation, storage and postal services	1,400.0	7.2%
Borrower D	Real estate	1,000.0	5.1%
Borrower E	Leasing and business services	580.0	3.0%
Total		**6,080.0**	**31.2%**

	As of December 31, 2015		
	Industry	Amount	% of investments in trust plans
	(in millions of RMB, except percentages)		
Borrower A	Wholesale and retail	1,600.0	9.2%
Borrower B	Construction	1,500.0	8.6%
Borrower F	Real estate	1,350.0	7.8%
Borrower G	Information transmission, computer services and software	850.0	4.9%
Borrower H	Wholesale and retail	820.0	4.7%
Total		**6,120.0**	**35.2%**

	As of December 31, 2016		
	Industry	Amount	% of investments in trust plans
	(in millions of RMB, except percentages)		
Borrower I	Real estate	2,400.0	11.1%
Borrower J	Leasing and business services	1,800.0	8.3%
Borrower K	Manufacturing	1,500.0	6.9%
Borrower L	Real estate	1,300.0	6.0%
Borrower M	Information transmission, software and information technology services	899.5	4.2%
Total		**7,899.5**	**36.5%**

	As of June 30, 2017		
	Industry	Amount	% of investments in trust plans
	(in millions of RMB, except percentages)		
Borrower N	Real estate	800.0	7.1%
Borrower O	Wholesale and retail	750.0	6.6%
Borrower P	Real estate	600.0	5.3%
Borrower Q	Manufacturing	539.0	4.8%
Borrower R	Transportation, storage and postal services	529.5	4.7%
Total		**3,218.5**	**28.5%**

The following tables set forth the five largest end borrowers under our asset management plans that have a single borrower 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 K	Manufacturing	4,000.0	10.3%
Borrower S	Real estate	2,000.0	5.2%
Borrower T	Wholesale and retail	1,250.0	3.2%
Borrower U	Leasing and business services	1,000.0	2.6%
Borrower V	Wholesale and retail	900.0	2.3%
Total		**9,150.0**	**23.6%**

	As of December 31, 2015		
	Industry	Amount	% of investments in asset management plans
	(in millions of RMB, except percentages)		
Borrower S	Real estate	3,700.0	7.8%
Borrower W	Wholesale and retail	3,600.0	7.6%
Borrower X	Leasing and business services	1,300.0	2.7%
Borrower V	Wholesale and retail	900.0	1.9%
Borrower Y	Wholesale and retail	900.0	1.9%
Total		**10,400.0**	**21.9%**

	As of December 31, 2016		
	Industry	Amount	% of investments in asset management plans
	(in millions of RMB, except percentages)		
Borrower Z	Wholesale and retail	4,000.0	7.1%
Borrower S	Real estate	3,700.0	6.5%
Borrower AA	Leasing and business services	3,000.0	5.3%
Borrower BB	Real estate	2,499.0	4.4%
Borrower X	Leasing and business services	1,300.0	2.3%
Total		**14,499.0**	**25.6%**

	As of June 30, 2017		
	Industry	Amount	% of investments in asset management plans
	(in millions of RMB, except percentages)		
Borrower CC	Leasing and business services	800.0	1.9%
Borrower AA	Leasing and business services	800.0	1.9%
Borrower S	Leasing and business services	700.0	1.7%
Borrower EE	Leasing and business services	700.0	1.7%
Borrower FF	Leasing and business services	600.0	1.4%
Total		**3,600.0**	**8.6%**

The following table sets forth our total investments in non-standard credit assets and the breakdown of such assets by remaining maturity as of June 30, 2017.

	As of June 30, 2017				
	Trust plans	Asset management plans	Wealth management products	Total	% of total
	(in millions of RMB, except for percentages)				
Due within 3 months	1,639.0	11,683.0	—	13,322.0	25.0%
Due over 3 months up to 1 year	4,626.5	13,406.2	—	18,032.7	33.9%
Due over 1 year up to 5 years	4,869.5	14,903.4	112.8	19,885.7	37.4%
Due over 5 years	—	1,800.0	—	1,800.0	3.3%
Subtotal	**11,135.0**	**41,792.6**	**112.8**	**53,040.4**	**99.6%**
Overdue	200.0	—	—	200.0	0.4%
Total	**11,335.0**	**41,792.6**	**112.8**	**53,240.4**	**100.0%**

As of June 30, 2017, approximately 58.9% of our investments in non-standard credit assets had remaining maturities of up to one year. We closely monitor the liquidity risks associated with our investments in non-standard credit assets, and periodically evaluate and report our liquidity position to senior management.

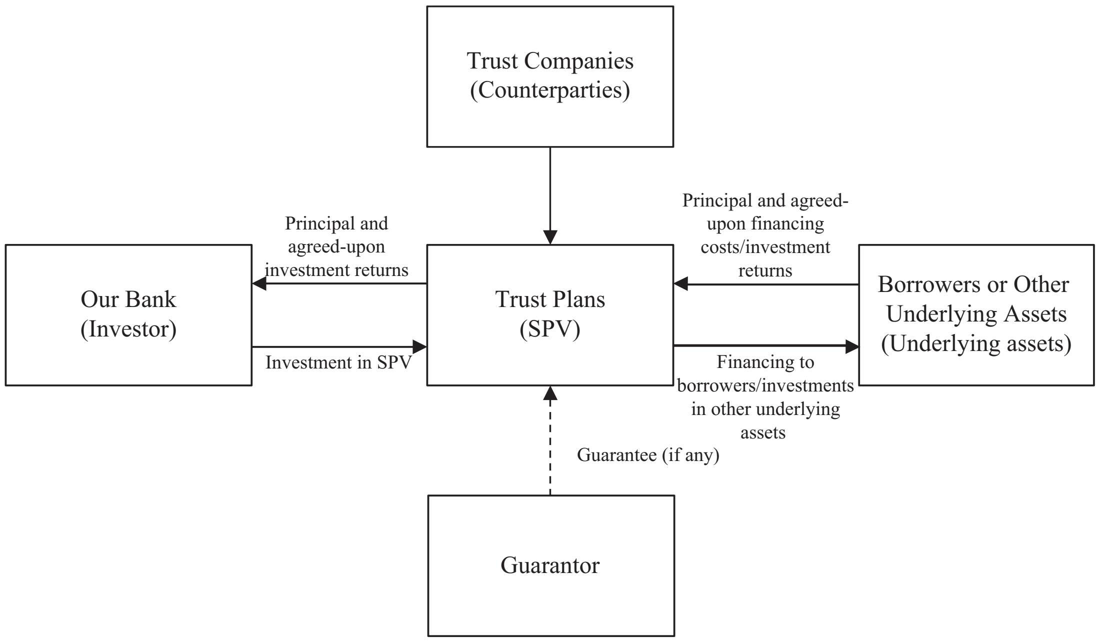
We have also formulated a contingent funding plan for liquidity risk events to help ensure we maintain sufficient and reliable sources of funding for our operations. Pursuant to our contingent funding plan, we must take various measures in response to a liquidity risk event depending on its severity. For example, we may adjust our positions in other asset categories, such as discounted bills and debt securities investments, if we anticipate that we may not be able to generate sufficient cash flows by disposing of our non-standard credit assets.

Trust Plans

We invest in trust plans managed by trust companies, who then lend the funds to borrowers as principals or invest in other underlying assets. The borrower's obligations to trust companies are secured by an irrevocable joint and several guarantee from a guarantor.

Borrowers may use funds provided by trust companies for their operations, and must repay the principal together with an agreed-upon return according to the trust plans. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our investments in trust plans were RMB19,570.1 million, RMB17,384.9 million, RMB21,605.4 million and RMB11,335.0 million, respectively.

The following chart illustrates the relationships among the parties involved in our trust plan investments.



The following table sets forth our total investments and the underlying assets in our trust plans as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)							
Fixed-income credit assets	19,570.1	100.0%	17,374.9	99.9%	21,570.4	99.8%	10,496.8	92.6%
Debt securities	—	—	—	—	—	—	803.2	7.1%
Others	—	—	10.0	0.1%	35.0	0.2%	35.0	0.3%
Total	**19,570.1**	**100.0%**	**17,384.9**	**100.0%**	**21,605.4**	**100.0%**	**11,335.0**	**100.0%**

During the Track Record Period, the counterparties of our investments in trust plans were qualified to conduct their trust businesses under applicable laws and regulations. The top five counterparties of our investments in trust plans are large state-owned or private enterprises. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our investments in trust plans managed by the five largest counterparties accounted for 75.3%, 68.7%, 73.5% and 70.8% of our total investments in trust plans, respectively.

The following tables set forth our five largest trust company counterparties as of the dates indicated:

	As of December 31, 2014				
	Nature	Total assets[(1)]	Regulatory ratings[(2)]	Amount	% of investments in trust plans
		(in millions of RMB, except percentages)			
Company A	Listed trust company	2,953.9	N/A	6,003.3	30.7%
Company B	Non-listed trust company	3,769.8	N/A	5,580.4	28.5%
Company C	Non-listed trust company	4,251.5	N/A	1,826.0	9.3%
Company D	Non-listed trust company	5,488.6	N/A	718.0	3.7%
Company E	Non-listed trust company	6,131.4	N/A	598.0	3.1%
Total				**14,725.7**	**75.3%**

	As of December 31, 2015				
	Nature	Total assets[(1)]	Regulatory ratings[(2)]	Amount	% of investments in trust plans
		(in millions of RMB, except percentages)			
Company A	Listed trust company	9,159.0	N/A	3,900.0	22.4%
Company F	Non-listed trust company	4,493.4	N/A	2,970.0	17.1%
Company G	Non-listed trust company	3,065.1	N/A	2,150.0	12.4%
Company B	Non-listed trust company	4,848.2	N/A	1,478.0	8.5%
Company H	Non-listed trust company	4,265.3	N/A	1,450.0	8.3%
Total				**11,948.0**	**68.7%**

	As of December 31, 2016				
	Nature	Total assets[(1)]	Regulatory ratings[(2)]	Amount	% of investments in trust plans
		(in millions of RMB, except percentages)			
Company B	Non-listed trust company	8,561.9	N/A	5,648.0	26.1%
Company F	Non-listed trust company	4,224.3	N/A	4,398.5	20.4%
Company H	Non-listed trust company	4,547.1	N/A	2,400.0	11.1%
Company A	Listed trust company	19,125.7	N/A	1,750.0	8.1%
Company I	Non-listed trust company	5,230.8	N/A	1,680.3	7.8%
Total				**15,876.8**	**73.5%**

	As of June 30, 2017				
	Nature	Total assets[(1)]	Regulatory ratings[(2)]	Amount	% of investments in trust plans
		(in millions of RMB, except percentages)			
Company B	Non-listed trust company	N/A[(3)]	N/A	2,745.0	24.2%
Company J	Non-listed trust company	N/A[(3)]	N/A	1,597.5	14.1%
Company K	Non-listed trust company	N/A[(3)]	N/A	1,400.0	12.4%
Company L	Non-listed trust company	N/A[(3)]	N/A	1,339.0	11.8%
Company M	Non-listed trust company	N/A[(3)]	N/A	940.0	8.3%
Total				**8,021.5**	**70.8%**

Notes:
(1) Source: each company's annual reports prepared on an unconsolidated basis.
(2) There are no reliable publicly available regulatory ratings for trust companies in China.
(3) The company's interim report is not publicly available.

We seek to mitigate the risks associated with our investments in trust plans by periodically evaluating a borrower's credit history and business track record and a guarantor's repayment capability. We also monitor PRC laws, regulations and policies and market interest rate fluctuations.

We usually require borrowers, third parties or guarantors to provide security for the payment of principal and agreed-upon returns for our investments in trust plans. As of June 30, 2017, approximately 35.9% of our loans to trust plans were secured by third-party guarantees, approximately 39.7% were secured by real properties and land, approximately 14.6% were secured by equity interests in companies, and approximately 9.8% were unsecured.

Grandall Law Firm (Shanghai), our PRC legal advisor, has advised us that the Trust Law of the PRC requires that trust assets be segregated from a trust company's own assets. Therefore, any amounts realized from exercising security rights in a trust investment plan may not be used to repay the trust company's own debts.

Please see "Risk Management—Credit Risk Management—Credit Risk Management for Financial Market Operations—Credit Risk Management for Standard Investments and Non-Standard Credit Assets" for our risk management measures for investments in trust plans.

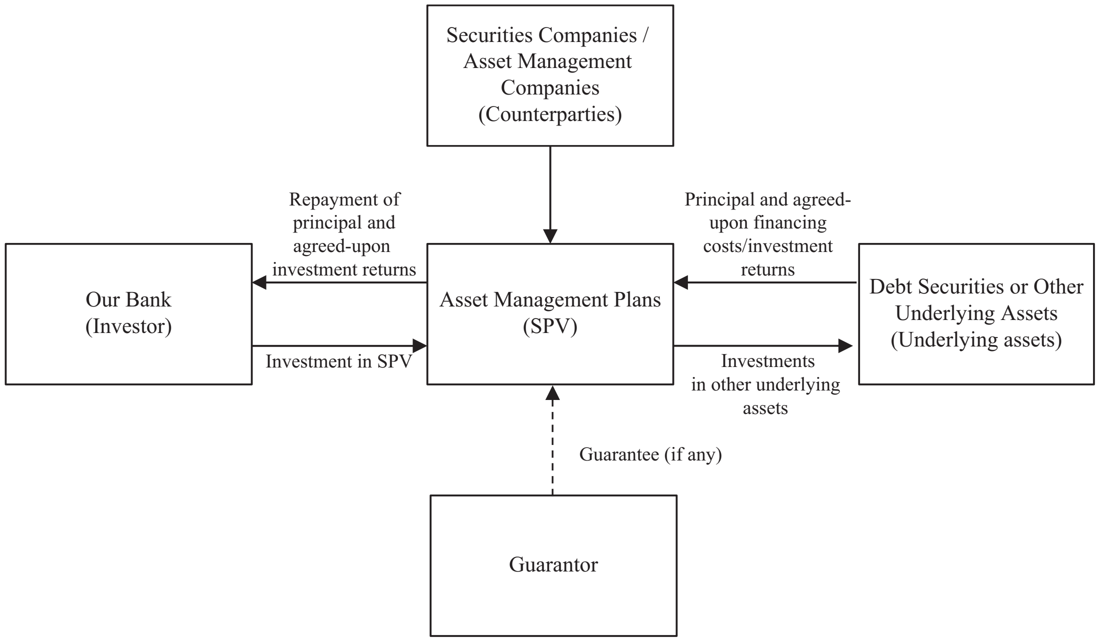
Asset Management Plans

We enter into asset management contracts with asset management companies and securities companies. These asset management companies and securities companies then invest our entrusted funds in other financial assets, primarily consisting of fixed-income products, through accounts at third-party custodian banks. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our investments in asset management plans were RMB38,659.5 million, RMB47,299.1 million, RMB56,569.3 million and RMB41,792.6 million, respectively.

We usually set out detailed instructions for an investment in the asset management contract entered into with an asset management or securities company. These instructions include the investment amount, investment scope and designated accounts through which the investment is made.

Asset management companies and securities companies that fail to follow our instructions or otherwise violate an asset management contract are liable for losses on our entrusted funds. Custodian banks are liable for the losses of asset management companies, securities companies and our company due to their failure to perform custodian services. Asset management companies and securities companies do not provide guarantees with respect to asset management plans.

The following chart illustrates the relationships among the parties involved in our asset management plan investments:



We seek to mitigate the credit risks associated with our investments in asset management plans by periodically evaluating our asset management company or securities company counterparties, and adjusting our list of permitted counterparties based on the results of these evaluations. The counterparties of our investments in asset management plans were qualified to conduct their asset management businesses under PRC laws and regulations during the Track Record Period.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, our investments in asset management plans managed by the five largest counterparties accounted for 40.2%, 63.6%, 55.8% and 73.4% of our total investments in asset management plans, respectively. The following tables set forth our five largest asset management company counterparties as of the dates indicated:

	As of December 31, 2014				
	Nature	**Total assets[(1)]**	**Regulatory ratings**	**Amount**	**% of investments in asset management plans**
	(in millions of RMB, except percentages)				
Company N	Listed securities company	200,442.6	AA[(2)]	7,030.0	18.2%
Company O	Non-listed securities company	26,620.2	B[(2)]	3,332.0	8.6%
Company P	Non-listed asset management company	15,301.0	AA[(4)]	1,800.0	4.7%
Company Q	Non-listed securities company	79,703.7	A[(2)]	1,780.0	4.6%
Company R	Non-listed asset management company	N/A[(5)]	N/A[(3)]	1,600.0	4.1%
Total				**15,542.0**	**40.2%**

	As of December 31, 2015				
	Nature	Total assets[(1)]	Regulatory ratings	Amount	% of investments in asset management plans
	(in millions of RMB, except percentages)				
Company N	Listed securities company	323,550.3	AA[(2)]	14,534.6	30.7%
Company Q	Non-listed securities company	123,675.9	A[(2)]	4,103.6	8.7%
Company S	Listed securities company	484,125.6	AA[(2)]	4,045.4	8.6%
Company T	Non-listed asset management company	279.2[(6)]	N/A[(3)]	3,800.0	8.0%
Company U	Non-listed asset management company	N/A[(5)]	N/A[(3)]	3,600.0	7.6%
Total				**30,083.6**	**63.6%**

	As of December 31, 2016				
	Nature	Total assets[(1)]	Regulatory ratings	Amount	% of investments in asset management plans
	(in millions of RMB, except percentages)				
Company N	Listed securities company	401,450.4[(6)]	BBB[(2)]	9,606.0	17.0%
Company Q	Non-listed securities company	97,737.2	A[(2)]	9,491.5	16.8%
Company V	Non-listed securities company	10,660.9[(6)]	BBB[(2)]	4,500.0	8.0%
Company W	Listed securities company	48,233.3	A[(2)]	4,400.0	7.8%
Company X	Non-listed asset management company	65.3	N/A[(2)]	3,480.0	6.2%
Total				**31,477.5**	**55.8%**

	As of June 30, 2017				
	Nature	Total assets[(1)]	Regulatory ratings	Amount	% of investments in asset management plans
	(in millions of RMB, except percentages)				
Company N	Listed securities company	368,830.0	BBB[(2)]	10,123.0	24.2%
Company X	Non-listed asset management company	N/A[(5)]	N/A[(3)]	7,190.0	17.2%
Company Q	Non-listed securities company	N/A[(5)]	A[(2)]	5,374.1	12.9%
Company V	Non-listed securities company	N/A[(5)]	BBB[(2)]	4,490.0	10.7%
Company S	Listed securities company	605,911.7	BBB[(2)]	3,495.0	8.4%
Total				**30,672.1**	**73.4%**

Notes:

(1) Source: except as otherwise indicated, each company's annual reports prepared on an unconsolidated basis.

(2) Source: CSRC.

(3) There are no reliable publicly available regulatory ratings for asset management companies in China.

(4) Represents the regulatory rating of the company's parent company, which is a PRC securities company.

(5) The company's interim or annual report is not publicly available.

(6) Source: company's annual reports prepared on a consolidated basis.

The following table sets forth our total investments in asset management plans and the breakdown by underlying assets as of the dates indicated:

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)							
Fixed-income credit assets	28,798.8	74.5%	43,294.7	91.5%	53,641.7	94.8%	38,929.0	93.1%
Debt securities	9,860.7	25.5%	4,004.4	8.5%	2,927.6	5.2%	2,863.6	6.9%
Total	**38,659.5**	**100.0%**	**47,299.1**	**100.0%**	**56,569.3**	**100.0%**	**41,792.6**	**100.0%**

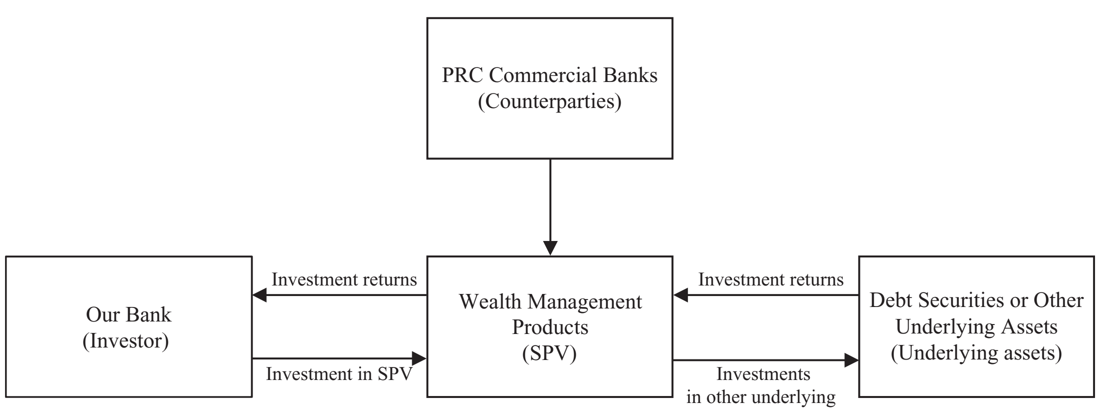
We accept collateral, including real property and land with clear and valid title, and third-party guarantee to secure our investment in asset management plans. Qualified appraisal institutions designated by us assess and determine the value of collateral. Please see "Risk Management—Credit Risk Management—Credit Risk Management for Financial Market Operations—Credit Risk Management for Standard Investments and Non-Standard Credit Assets" for our risk management measures and procedures for investments in asset management plans.

Wealth Management Products Issued by Other PRC Commercial Banks

As of June 30, 2017, we invested in one wealth management product issued by another PRC commercial bank.

Pursuant to the wealth management contracts, we are generally required to deposit investments in bank accounts stipulated by such contracts to purchase wealth management products. Commercial bank issuers pay us principal and investment returns upon the maturity of the wealth management products and receive commissions and/or administration fees for managing our investments. These commercial banks have discretion to terminate the wealth management contracts in advance (or not in advance) upon the occurrence of certain events set forth in the contracts, including a material change in the national financial policies of the PRC or a significant decrease in market rate.

The following chart illustrates the relationships among the parties involved in our investments in wealth management products issued by other PRC commercial banks:



As of December 31, 2014, 2015 and 2016 and June 30, 2017, our investments in wealth management products managed by our counterparties were RMB2,403.8 million, RMB107.8 million, RMB104.6 million and RMB112.8 million, respectively.

The following table sets forth our wealth management counterparties as of the dates indicated.

	As of December 31, 2014				
	Nature	Total asset	Regulatory ratings[(1)]	Amount	% of total investment in wealth management products
	(in millions of RMB, except for percentages)				
Bank A	Listed joint-stock bank	4,331,922.0	3A	2,300.0	95.7%
Bank B	Non-listed rural commercial bank	151,990.2	2A	103.8	4.3%
Total				**2,403.8**	**100.0%**

	As of December 31, 2015				
	Nature	Total asset	Regulatory ratings[(1)]	Amount	% of total investment in wealth management products
	(in millions of RMB, except for percentages)				
Bank B	Non-listed rural commercial bank	165,947.6	2B	107.8	100.0%
Total				**107.8**	**100.0%**

	As of December 31, 2016				
	Nature	Total asset	Regulatory ratings[(1)]	Amount	% of total investment in wealth management products
	(in millions of RMB, except for percentages)				
Bank B	Non-listed rural commercial bank	213,791.7	2B	104.6	100.0%
Total				**104.6**	**100.0%**

	As of June 30, 2017				
	Nature	Total asset	Regulatory ratings	Amount	% of total investment in wealth management products
	(in millions of RMB, except for percentages)				
Bank B	Non-listed rural commercial bank	N/A[(3)]	N/A[(2)]	112.8	100%
Total				**112.8**	**100%**

Notes:

(1) Source: CBRC.

(2) The CBRC rates commercial banks annually and therefore, there was no regulatory rating of the bank as of June 30, 2017.

(3) The company's interim report is not publicly available.

Please see "Risk Management—Credit Risk Management—Credit Risk Management for Financial Market Operations—Credit Risk Management for Standard Investments and Non-Standard Credit Assets—Non-Standard Credit Assets Investment" for our risk management measures and procedures for investments in wealth management products.

Wealth Management Business

We issue wealth management products to our corporate customers, retail customers and interbank customers. In 2014, 2015, and 2016 and the six months ended June 30, 2016 and 2017, we issued wealth management products of RMB25,384.7 million, RMB32,180.5 million, RMB38,770.0 million, RMB17,093.8 million and RMB17,409.1 million, respectively. The following table sets forth our wealth management products by the size of each tranche for the periods indicated.

	Year ended December 31,						Six months ended June 30,	
	2014		2015		2016		2017	
	Tranches in issue	Amount	Tranches in issue	Amount	Tranches in issue	Amount	Tranches in issue	Amount
	(in millions of RMB, except number of tranches)							
Less than RMB10.0 million	8	40.4	19	80.6	46	198.6	58	215.6
Over RMB10.0 million but less than RMB50.0 million	155	4,844.3	152	4,935.2	79	2,469.0	71	2,129.0
Over RMB50.0 million but less than RMB100.0 million	95	6,985.0	143	12,313.9	114	8,949.8	72	5,013.6
Over RMB100.0 million but less than RMB500.0 million	74	13,515.0	80	14,850.8	169	26,532.6	40	7,550.9
Over RMB500.0 million	—	—	—	—	1	620.0	2	2,500.0
Total	**332**	**25,384.7**	**394**	**32,180.5**	**409**	**38,770.0**	**243**	**17,409.1**

The following table sets forth our wealth management products by product type for the periods indicated.

	Year ended December 31,						Six months ended June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)							
Principal protected products	23,888.9	94.1%	8,408.1	26.1%	1,111.3	2.9%	457.2	2.6%
Non-principal protected products	1,495.8	5.9%	23,772.4	73.9%	37,658.7	97.1%	16,951.9	97.4%
Total	**25,384.7**	**100.0%**	**32,180.5**	**100.0%**	**38,770.0**	**100.0%**	**17,409.1**	**100.0%**

We record and manage each wealth management product separately in accordance with CBRC requirements. Each wealth management product is linked to its underlying investment.

We classify wealth management products into five categories based on their risk levels pursuant to the Measures for the Administration of the Sale of Wealth Management Products of Commercial Banks (《商業銀行理財產品銷售管理辦法》) from level 1 (low risk) to level 5 (high risk). During the Track Record Period, we only issued wealth management products classified as level 1 risk (low risk), level 2 risk (low-to-medium risk) or level 3 risk (medium risk).

The following table sets forth our wealth management products by risk level for the periods indicated.

	Year ended December 31,						Six months ended June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)							
Risk Level								
Level 1	23,888.9	94.1%	8,408.1	26.1%	1,111.3	2.9%	457.2	2.6%
Level 2	1,495.8	5.9%	23,772.4	73.9%	37,658.7	97.1%	16,652.7	95.7%
Level 3	—	0.0%	—	0.0%	—	0.0%	299.2	1.7%
Total	**25,384.7**	**100.0%**	**32,180.5**	**100.0%**	**38,770.0**	**100.0%**	**17,409.1**	**100.0%**

We invest the proceeds raised from the wealth management products we issued primarily in interbank deposits, money market instruments and other fixed-income products. The following table sets forth our wealth management products by investment type as of the dates indicated:

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)							
Debt securities	10,272.0	93.1%	13,381.6	95.0%	11,708.1	72.6%	12,749.2	75.3%
Non-standard credit assets	765.1	6.9%	704.0	5.0%	3,383.0	21.0%	3,403.0	20.1%
Money market instruments(1)	—	—	—	—	1,029.0	6.4%	781.8	4.6%
Total	**11,037.1**	**100.0%**	**14,085.6**	**100.0%**	**16,120.1**	**100.0%**	**16,934.0**	**100.0%**

Note:

(1) Primarily includes our investments in money market funds, inter-bank transferrable deposit receipts, cash, reverse repurchase agreements.

MARKETING

We have established an integrated marketing system and bank-wide marketing strategies. Our head office formulates our overall marketing strategies and coordinates the marketing efforts of our branches and sub-branches. Account managers at our branches and sub-branches develop and maintain customer relationships and market our products and services.

As of June 30, 2017, we had over 700 account managers. We advertise our products and services through outdoor advertisements, television, internet, print and other media advertisements. We have also established relationships with local universities, enterprises, governments and other public services providers to expand our customer base and improve brand awareness.

PRICING

We consider various factors when determining or adjusting the price of our products and services, such as benchmark interest rates and the floating range set by the PBoC, fund and operating costs, taxes, risk costs and capital costs.

We also consider overall market conditions and the prices of similar products and services offered by our competitors. Our Fund Pricing Committee formulates our pricing policies and benchmark prices. Our business departments set prices for specific products and services within their authorized limits.

Loans

The PBoC regulates the pricing of various products and services (such as our RMB-denominated loans) by PRC commercial banks. In July 2013, the PBoC abolished the lower limit on interest rates for financial institution RMB-denominated loans (except for mortgage loans). Following this change, we could determine the interest rate of our loans independently. The interest rates for personal residential mortgage loans and residential mortgage loans to second-time home buyers could not be less than 70% and 110% of the PBoC benchmark interest rate in the same period, respectively.

We determine the prices of loan products based on a borrower's financial condition and credit rating, type and value of collateral, loan maturity, proposed use of loan proceeds and market conditions. We also consider the costs of funds, taxes, our operating costs, risk costs and capital costs.

Deposits

In October 2015, the PBoC abolished the upper limit on interest rates for financial institution RMB-denominated deposits. We determine the interest rate primarily based on (i) benchmark interest rates set by the PBoC within an autonomic pricing mechanism framework for local market interest rates, (ii) market interest rates and (iii) our asset and liability management strategies.

Fee- and Commission-based Products and Services

We determine and adjust the prices of fee- and commission-based products and services in accordance with government guidelines and market conditions. We also consider the cost of products and services and the prices of comparable products and services offered by competitors.

DISTRIBUTION NETWORK

We distribute products and services through our branch network and electronic banking channels.

Branch Network

As of June 30, 2017, we had a head office operational department, 9 branches and 189 sub-branches and 2 micro-to-small sub-branches. Our branch network covered all of Gansu's cities and prefectures and approximately 94% of its counties and districts.

The following chart illustrates the geographical coverage of our network in the PRC as of June 30, 2017:

The following table sets forth the number of our outlets by location as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Lanzhou	24	16.1%	36	20.7%	47	24.0%	50	24.9%
Pingliang	26	17.4%	26	14.9%	26	13.3%	26	12.9%
Baiyin	20	13.4%	20	11.5%	20	10.2%	21	10.4%
Jiuquan	13	8.7%	14	8.0%	15	7.7%	16	8.0%
Qingyang	15	10.1%	15	8.6%	15	7.7%	15	7.5%
Dingxi	8	5.4%	9	5.2%	12	6.1%	12	5.9%
Tianshui	8	5.4%	10	5.7%	11	5.6%	11	5.5%
Longnan	8	5.4%	10	5.7%	11	5.6%	11	5.5%
Linxia	9	6.0%	9	5.2%	10	5.1%	10	5.0%
Zhangye	5	3.4%	6	3.5%	9	4.6%	9	4.4%
Wuwei	4	2.7%	7	4.1%	8	4.1%	8	4.0%
Jiayuguan	3	2.0%	4	2.3%	4	2.0%	4	2.0%
Jinchang	2	1.3%	4	2.3%	4	2.0%	4	2.0%
Gannan	4	2.7%	4	2.3%	4	2.0%	4	2.0%
Total	**149**	**100.0%**	**174**	**100.0%**	**196**	**100.0%**	**201**	**100.0%**

Electronic Banking Channels

We began to offer electronic banking services in January 2013. We offer and distribute our products and services primarily through the following channels:

Internet Banking

Through the Internet, we offer customers account management, information inquiry, remittance and transfer, payment, investment and wealth management and other financial services. As of June 30, 2017, we had over 1.51 million Internet banking customers, consisting of 27,429 corporate customers and over 1.48 million retail customers. As of June 30, 2017, our corporate customers conducted over 2.6 million online transactions with a total transaction amount of approximately RMB531,700.0 million, while retail customers had conducted approximately 3.4 million online transactions with a total transaction amount of approximately RMB135,811.0 million.

Direct Sale Banking Platform

We launched our direct sale banking platform in August 2016. Through the platform, our customers can achieve electronic account management, smart saving, investment and financing, and purchases of financial products and services. As of June 30, 2017, our direct sale banking platform had over 208,200 registered users with total transaction amounts of RMB3,086.0 million. The sales volume of direct sale banking platform products exceeded RMB683.6 million.

Mobile Phone Banking

We provide customers with various financial services, such as account inquiries and management, transfers, payments and loan management. As of June 30, 2017, we had approximately 1.1 million mobile phone banking customers that had conducted approximately 4.9 million transactions through mobile phones, with total transaction amounts of approximately RMB49,950.0 million.

Telephone Banking

We provide customers with loan and deposit account inquiries, personal debit card account transfers, bill inquiries, lost declarations and business inquiry services through an interactive self-service voice system and live customer service. As of June 30, 2017, we had 206,670 telephone banking customers.

Self-service Banking

We provide convenient banking services to customers at lower operating costs through self-service facilities. Our self-service banking services include balance inquiries, cash withdrawals and deposits, transfers and public utilities payments. As of June 30, 2017, we had 201 outlets, 149 off-bank self-service zones and 711 self-service facilities.

WeChat Banking

WeChat has become an important channel that provides value-added services to retail customers. Through WeChat banking, customers can access our products and services; manage accounts, transaction inquires, payment and convenience services; and search for our outlet locations. As of June 30, 2017, we had over 340,000 WeChat banking customers.

E-commerce Platform

In April 2017, we formally launched our e-commerce platform "Longyin Commerce", which provides merchants with comprehensive services. These services include purchasing, sales and inventory management, and online B2B and B2C transactions.

JINGNING CHENGJI RURAL BANK

Overview

In March 2007, Pingliang City Commercial Bank established Jingning Chengji Rural Bank with 4 other legal entities and 7 individuals. As of June 30, 2017, we held an approximately 62.7% equity interest in Jingning Chengji Rural Bank.

Jingning Chengji Rural Bank offers financial products and services, including loans, deposits and fee- and commission-based products and services to local corporate and retail customers.

As of June 30, 2017, Jingning Chengji Rural Bank had 19 corporate loan customers, 495 corporate deposit customers, 3,086 retail loan customers and 59,548 retail deposit customers. As of June 30, 2017, Jingning Chengji Rural Bank had 12 outlets and 103 employees.

As of June 30, 2017, Jingning Chengji Rural Bank had total assets of RMB1,071.6 million, total deposits of RMB881.1 million and total loans of RMB680.7 million. In 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, operating income attributable to Jingning Chengji Rural Bank totaled RMB23.7 million, RMB44.3 million, RMB44.6 million, RMB21.3 million and RMB23.4 million, accounting for 0.7%, 0.8%, 0.6%, 0.6% and 0.6% of our total operating income, in each case respectively.

We assist Jingning Chengji Rural Bank by providing strategic guidance and employee training. We also dispatch professional staff to improve employee business skills, and share experience to innovate products and services to diversify its business.

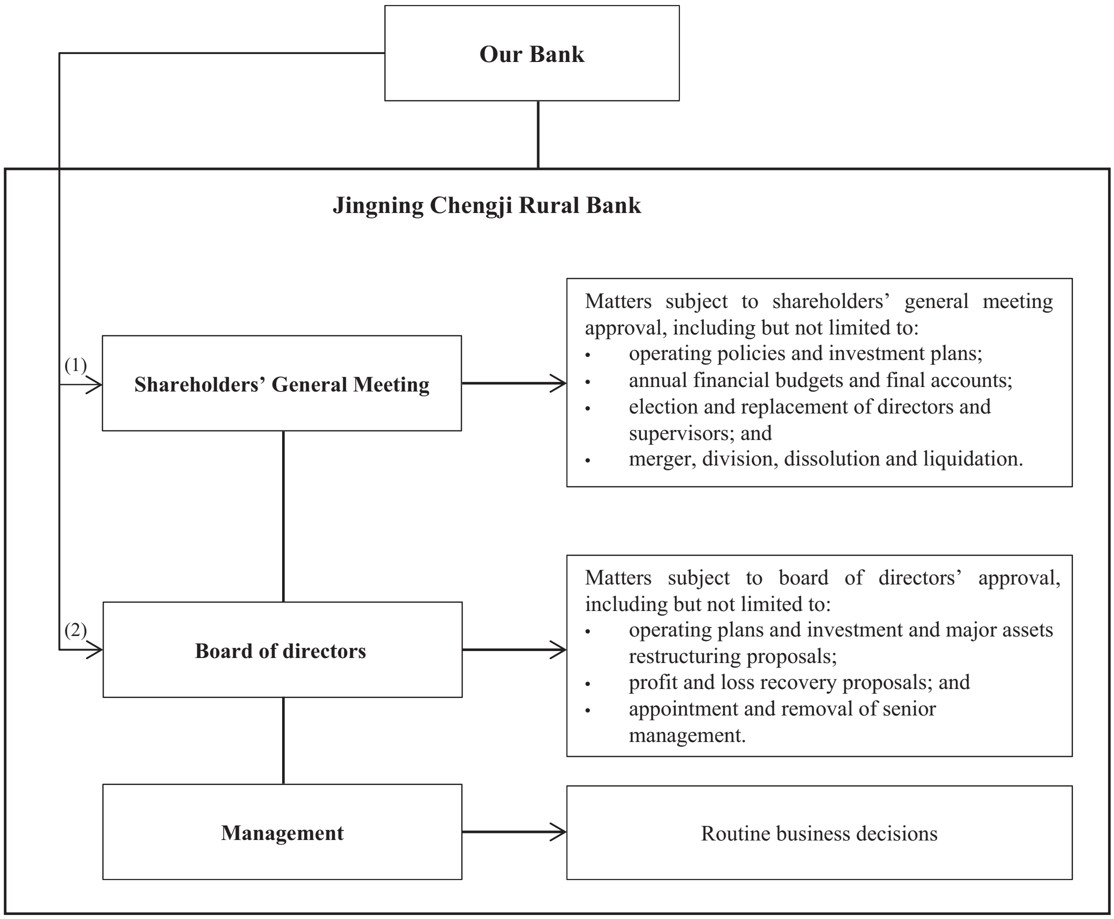
Our Management of Jingning Chengji Rural Bank

Jingning Chengji Rural Bank operates as a separate legal entity regulated by the CBRC. We grant Jingning Chengji Rural Bank a high level of autonomy in operating its businesses because its business scale, target market, customer base and certain product offerings are different from ours. We believe that this autonomous business model allows Jingning Chengji Rural Bank greater flexibility in responding to market changes and customizing its products and services to suit the preferences of local customers.

Decision-making Process of Jingning Chengji Rural Bank

We are not involved in the daily operations of Jingning Chengji Rural Bank and allow it to make routine business decisions and operate autonomously. The board of directors of Jingning Chengji Rural Bank formulates, implements and reports its business objectives and strategies to us on an annual basis.

We possess the right to nominate the chairman and a majority of the directors of Jingning Chengji Rural Bank in accordance with its articles of association. Through our board representatives, we guide and monitor Jingning Chengji Rural Bank in formulating and implementing its financial and operating policies to help ensure they are aligned with ours. The following chart sets forth the decision-making process of Jingning Chengji Rural Bank:



Notes:

(1) As of June 30, 2017, we held approximately 62.7% of the equity interests in Jingning Chengji Rural Bank.

(2) We have the right to nominate the chairman and a majority of the directors of Jingning Chengji Rural Bank in accordance with its articles of association.

Risk Management and Internal Control

As separate legal entity regulated by the CBRC, Jingning Chengji Rural Bank maintains independent risk management and internal control systems, including anti-money laundering rules and procedures established in accordance with the PRC regulations. Please see "Risk Management—Overview—Risk Management Structure—Risk Management of Branches, Sub-branches and Jingning Chengji Rural Bank" for further information. We also participate in formulating the risk management policies and strategies of Jingning Chengji Rural Bank through our board representatives.

Information Technology and Financial Reporting

We have integrated the information technology system of Jingning Chengji Rural Bank with ours. Through our information technology system, we access the financial reports of Jingning Chengji Rural Bank on a monthly basis, and monitor its key financial indicators on a real-time basis. We also provide technical support and guidance to Jingning Chengji Rural Bank regarding its day-to-day operations and the maintenance of its information technology systems.

Regulatory Compliance

As a separate legal entity, Jingning Chengji Rural Bank is subject to regulatory inspections and reviews by PRC regulatory authorities (including PBoC, CBRC, SAFE and SAT) and their respective local offices and bureaus in the PRC. These regulatory inspections and reviews during the Track Record Period did not identify any significant risks or material non-compliance incidents related to Jingning Chengji Rural Bank, but identified some deficiencies in its operations, risk management and internal controls.

During the Track Record Period, Jingning Chengji Rural Bank did not meet certain regulatory requirements with respect to operational and profitability indicators:

(i) *Provision coverage ratio*. As of December 31, 2015, the provision coverage ratio of Jingning Chengji Rural Bank was 99.2%. Jingning Chengji Rural Bank did not meet the provision coverage ratio primarily because it did not make sufficient provisions that could cover the increase in its non-performing loans. To meet regulatory requirements, Jingning Chengji Rural Bank has enhanced efforts to recover non-performing loans and increased provisions for impairment losses on loans. Jingning Chengji Rural Bank reports its provision coverage ratio to the CBRC on a quarterly basis. As of September 30, 2017, its provision coverage ratio was 254.57%, which complied with regulatory requirements.

(ii) *Deposit deviation ratio*. As of December 31, 2014, the deposit deviation ratio of Jingning Chengji Rural Bank was 9.02%, which exceeded the maximum of 3% under regulatory requirements. This non-compliance incident was due to the adoption of the deposits-dominated point of time model for performance appraisals at that time. Upon identifying these issues, Jingning Chengji Rural Bank adopted remedial measures, such as improving the employee performance appraisal system, increasing training and strengthening the supervision and management of deposits. Jingning Chengji Rural Bank reports its deposit deviation ratio to the CBRC on a quarterly basis. As of September 30, 2017, its deposit deviation ratio was 2.78%, which complied with regulatory requirements.

(iii) *Cost-to-income ratio*. As of December 31, 2014, 2015 and 2016, and June 30 and September 30, 2017, the cost-to-income ratio of Jingning Chengji Rural Bank was 54.86%, 48.45%, 55.61%, 43.99% and 44.35%, respectively. Jingning Chengji Rural Bank failed to comply with the 35% maximum regulatory requirements because it was in the development phase in which fixed asset investments, business promotion and labor were growing quickly, outpacing its growth in operating income. Jingning Chengji Rural Bank has enhanced its budget management and adopted measures to reduce operating costs to lower its cost-to-income ratio. PRC regulators did not impose any administrative penalties on, nor did they lower the regulatory rating of, Jingning Chengji Rural Bank for non-compliance with the minimum cost-to-income ratio during the Track Record Period and up to the Latest Practicable Date.

(iv) *Capital adequacy ratio and tier-one capital adequacy ratio.* As of June 30, 2014, the capital adequacy ratio and tier-one capital adequacy ratio of Jingning Chengji Rural Bank were 9.45% and 8.30%, respectively, which were below the required minimum ratios of 10.5% and 8.5%, respectively, under regulatory requirements. This non-compliance was mainly due to the bank's capital increase in September 2014, which was originally planned to be completed before June 30, 2014. After the recognition of the problems, Jingning Chengji Rural Bank adopted remedial measures such as increasing capital, reducing risky assets, writing down non-performing loans, enhancing credit quality and establishing risk management mechanisms. Jingning Chengji Rural Bank reports its capital adequacy ratio and tier-one capital adequacy ratio to the CBRC on a quarterly basis. As of September 30, 2017, its capital adequacy ratio and tier-one capital adequacy ratio were 14.47% and 13.37%, respectively.

As advised by Grandall Law Firm (Shanghai), our PRC legal advisor, failure to meet the foregoing regulatory requirements does not constitute a direct basis for administrative penalties, but may adversely impact the regulatory rating of Jingning Chengji Rural Bank. This may lead to enhanced focus and regulation on Jingning Chengji Rural Bank, limits on its products and businesses imposed by regulatory institutions, meetings between regulatory institutions and our Directors, officers and Supervisors, and the adoption of corrective actions required by regulatory institutions.

In addition, as advised by our PRC legal advisor, Grandall Law Firm (Shanghai), failure to meet these regulatory indicators may be viewed by bank regulatory authorities as a violation of prudent operating rules, which, depending on the severity of the non-compliance, could lead to a number of regulatory actions. Those actions could include the imposition of a timeline for us to rectify the non-compliance, the imposition of fines ranging from RMB200,000 to RMB500,000, suspension of certain operations, revocation of certain business licenses, restrictions on dividend distributions and asset transfers, and disciplinary actions against the directors, officers or persons directly liable for such non-compliance.

Assuming that the regulatory authorities penalize Jingning Chengji Rural Bank for the non-compliance with each regulatory indicator mentioned above and that the maximum penalty amount of RMB500,000 were imposed by regulatory authorities on Jingning Chengji Rural Bank for each incident of non-compliance, the aggregate potential fines against Jingning Chengji Rural Bank would be RMB4.0 million, representing approximately 0.1% of our operating income as of June 30, 2017.

Grandall Law Firm (Shanghai), our PRC legal advisor, is of the view that the possibility that PRC regulatory authorities impose regulatory measures on Jingning Chengji Rural Bank is remote, including suspension of the bank's businesses or revocation of its business license, primarily because:

- only severe violations of prudent operating rules constitute a direct basis for suspension of business or revocation of business licenses;
- as PRC regulators did not impose any administrative penalties (such as suspension of business or revocation of business licenses) on Jingning Chengji Rural Bank during the Track Record Period, they did not deem any of the bank's violations of regulatory ratio requirements a severe violation of the prudent operating rules;
- Jingning Chengji Rural Bank had taken remedial measures to enhance its regulatory ratios, and the PRC regulatory authorities had not raised any objections or additional recommendations with regard to these remedial measures; and
- Jingning Chengji Rural Bank had not experienced suspensions of any businesses or revocation of any operating licenses due to a violation of the applicable regulatory ratio requirements during the Track Record Period and up to the Latest Practicable Date.

We believe that Jingning Chengji Rural Bank's non-compliance with certain regulatory ratios during the Track Record Period will not materially and adversely affect our business, financial condition and results of operations, primarily because:

- Jingning Chengji Rural Bank's contributions to our consolidated financial results were not material;
- the maximum potential penalty that could be imposed upon Jingning Chengji Rural Bank constitutes a small portion of our operating income; and
- no significant effects resulted from the non-compliance of Jingning Chengji Rural Bank.

In addition to the remedial measures that we adopted above, we implemented the following monitoring and risk warning measures to help ensure that Jingning Chengji Rural Bank comply with the monitoring indicators:

- send members of senior management to Jingning Chengji Rural Bank to improve its operating quality;
- regulate the operation and management activities and decision procedures of Jingning Chengji Rural Bank by formulating the authorization scheme of the general meeting and Board of Directors;
- provide compliance training for employees of Jingning Chengji Rural Bank; and
- require Jingning Chengji Rural Bank to present the 1104 off-site regulation statement of the CBRC on a quarterly basis to regulate each indicator.

During the Track Record Period and as of the Latest Practicable Date, Jingning Chengji Rural Bank had not been the subject of any administrative penalties because of its non-compliance with regulatory indexes.

INFORMATION TECHNOLOGY

The utilization of information technology ("**IT**") is crucial to our effective operations, and our future success and growth. Major operational and management functions that rely on IT include general operations, customer service, risk management and financial management.

IT Management and Professional Team

Our IT department formulates and implements IT-related strategies, monitors the allocation of IT resources, develops IT systems and software, operates and maintains IT systems and manages IT risks. We have established an IT management and control center, a software development center and a data center under our IT department.

We have also established an IT management committee to supervise and coordinate IT-related strategic planning and decision-making. As of June 30, 2017, we had a team of 130 experienced IT professionals.

IT Systems

Our existing IT systems are classified into the following five categories based on function:

- Products and services systems, consisting of a core system, new-generation credit management system, international settlement system, distinctive business platform, risk alert system, e-commerce bills of exchange system, electronic account system and financial asset management system. We have established a unified product catalog through these systems, building a foundation for product innovation.

- Customer management systems, consisting of ECIF, product, services and accumulated points management systems to manage customer information, comprehensive service and customer identification.
- Distribution channel systems, consisting of bank counter, online banking, mobile banking, WeChat banking, direct sale banking, Longyin business platform, bank-enterprise direct connection, mobile marketing, internet payments, convenience service terminals, ATM, POS, telephone banking, Tax e-Financing loan, Salary e-Financing loan, second-generation payments, online payment and inter-bank clearing, national bill exchange, treasury centralized payments, intermediate businesses, and integrated front-bank and treasury information processing systems. These systems enable us to centralize the management of distribution channels, and enhance our ability to provide convenient payment services and personalized service to customers.
- Management decision-making systems, consisting of book management, HR management, post-supervision, consolidated financial reports, performance appraisal, financial management, FTP, conversion from business tax to value-added tax, cash cashier, audit, ID card network check, anti-money laundering, unified inspection and control platform, internal control and compliance, management of operating risk, supervision of IT risk, PBoC accounting, statistics, payment information analysis and reporting, EAST, 1104 reporting, coordinated operations and internal website. These systems enable us to coordinate the functions of different departments and support our decision-making process.
- Basic applications systems, consisting of data platform, ESB, biologic identification platform, passcode service platform, image processing platform, centralized monitoring platform, unified identity authentication, Internet auditing, network security, mail, IT operation and maintenance audit and anti-virus systems, information transmission, data integration and security management.

We regularly upgrade our IT system and increase our investment in IT each year to support the operation and management of our businesses. For 2014, 2015 and 2016 and the six months ended June 30, 2017, investments in our IT system totaled approximately RMB80.6 million, RMB116.5 million, RMB137.4 million and RMB85.3 million, respectively.

We began to develop a new core banking system based on the SOA-framework in December 2015, and launched the system in October 2017. We believe the new core system will improve the reliability of our existing IT systems by enhancing their existing functions, allowing us to better support our operations and decision-making process and offer a more favorable customer experience.

We place a high priority on business continuity and information security. We have established disaster recovery centers in Lanzhou and Xi’an and conducted periodic security drills to provide reasonable assurance of business continuity and information security in the event of disruptions at critical facilities.

We have also implemented safeguards to maintain the confidentiality, integrity and availability of information. These safeguards include firewalls, anti-virus measures, data encryption, user authentication and authorization, desk site security, intrusion prevention and detection, filing and evaluation of important information systems, key information infrastructure protection and information system security assessment. During the Track Record Period and up to the Latest Practicable Date, we did not suffer any material IT system failures.

IT Risk Management

We have formulated comprehensive procedures and policies to manage IT risks. See "Risk Management—IT Risk Management".

COMPETITION

The banking industry in the PRC is becoming increasingly competitive. Principal competitive factors include price, quality of service, diversity of products and services, brand recognition, geographical coverage of distribution network, and the experience and knowledge of employees. We face competition primarily from city commercial banks, the five largest state-owned commercial banks, national joint-stock commercial banks and Postal Savings Bank of China Co., Ltd. that operate in Gansu province.

We also compete with other banking financial institutions (including rural credit cooperatives) and non-banking financial institutions (including security companies, fund management companies and insurance companies). In addition, Internet finance service providers place competitive pressures on our businesses.

We may face competition from foreign financial institutions in the future. In particular, the lifting of restrictions on the conduct of business by foreign financial institutions in the PRC may cause us to lose our competitive advantage over foreign financial institutions in Lanzhou and Gansu province.

Some of our competitors have larger asset scales and client bases, greater financial resources and more experience than we do. We also face competition in attracting and retaining talent. Our ability to compete effectively depends on whether we can attract, retain and motivate talent.

EMPLOYEES

As of June 30, 2017, we had over 3,700 employees. The following table sets forth the number of our employees by function as of the same date.

	Number of employees	Percentage
Corporate banking	517	13.9%
Retail banking	308	8.3%
Financial market operations	29	0.8%
Finance and accounting	163	4.4%
Risk management, internal audit and legal and compliance	162	4.3%
Information technology	130	3.5%
Management	134	3.6%
Bank Teller	1,661	44.7%
Others	613	16.5%
Total	**3,717**	**100.0%**

We have a young and highly educated team of employees. As of June 30, 2017, the average age of our employees was 31.5, and over 87.4% of them had a bachelor's degree or higher. The following table sets forth the number of our employees by age as of June 30, 2017.

	Number of employees	Percentage
Under 30 (inclusive)	2,324	62.5%
31 to 40 years old	764	20.6%
41 to 50 years old	559	15.0%
Above 50 (exclusive)	70	1.9%
Total	**3,717**	**100.0%**

The following table sets forth the number of our employees by education degree as of June 30, 2017.

	Number of employees	Percentage
Master's degree or higher	229	6.2%
Bachelor's degree	3,019	81.2%
Others	469	12.6%
Total	**3,717**	**100.0%**

Our employees participate in employee benefit plans, such as pension insurance, corporate annuity funds, housing provident funds, work related injury insurance, medical insurance, unemployment insurance and maternity insurance.

We conduct performance evaluations of employees on an annual basis to provide feedback based on the evaluations. Remuneration for full-time employees typically consists of a base salary and performance-based compensation. We determine performance-based compensation at the end of each quarter and year based on the employee's work performance and our financial results.

We focus on employee career development and provide training programs for employees in different business lines. We have built a team of internal training providers under our human resources department.

We have established a labor union in accordance with PRC laws and regulations. We believe that we have maintained a good working relationship with our employees. As of the Latest Practicable Date, we had not experienced any labor strikes or other labor disturbances that materially affected our operations or public image.

INTELLECTUAL PROPERTY

We conduct business under the name "Bank of Gansu" and "甘肅銀行". As of the Latest Practicable Date, we owned 42 registered trademarks and four copyrights in the PRC, as well as 11 registered trademarks in Hong Kong. In addition, we have submitted two applications for trademark registrations in the PRC. We also own the domain name of our website "gsbankchina.com". See "Appendix VII—Statutory and General Information".

PROPERTIES

Our head office is located at No. 122, Gannan Road, Chengguan District, Lanzhou, Gansu province, China. As of the Latest Practicable Date, we owned and occupied 105 buildings with an aggregate GFA of approximately 87,070.8 square meters, occupied one parcel of land with an aggregate area of approximately 4,001.3 square meters, and leased 324 buildings with an aggregate GFA of approximately 120,863.7 square meters in the PRC.

Owned Properties

Buildings

As of the Latest Practicable Date, we owned 105 buildings with an aggregate GFA of approximately 87,070.8 square meters. We primarily used these buildings as premises for our branches or offices. Among these buildings, 91 buildings have defective titles, among which 60 buildings with total GFA of approximately 57,240.8 square meters are used as premises for operations, and 31 buildings with total GFA of approximately 2,785.1 square meters are used for purposes not directly related to operations. We currently occupy and use 83 buildings with defective titles for which we have obtained either title certificates or confirmation from competent authorities that we can occupy and use these buildings. Set forth below are details of the buildings we owned as of the Latest Practicable Date:

- We had obtained building ownership certificates or real estate right certificates for 14 buildings with total GFA of approximately 27,044.9 square meters (representing approximately 31.1% of the total GFA of the buildings that we owned and occupied) and land use rights for the land occupied by these buildings.

  Grandall Law Firm (Shanghai), our PRC legal adviser, is of the view that we have legal title to these buildings and the land use rights for the land occupied by these buildings, and that we are entitled to legally occupy, use, benefit from, transfer, lease, pledge or otherwise dispose of these buildings.

- We had obtained real estate right certificates for 49 buildings with total GFA of approximately 4,419.3 square meters (representing approximately 5.1% of the total GFA of the buildings that we owned and occupied). The PRC government had allocated to us right to use the land occupied by these buildings.

  Grandall Law Firm (Shanghai), our PRC legal adviser, is of the view that there is no substantial legal impediment to our occupation and use of these buildings. However, we may only transfer, lease, pledge or otherwise dispose of these buildings after we obtain land use rights for the land occupied by these buildings through transfer or lease in accordance with law.

  If we cannot use these buildings, we believe we can replace them with alternative properties. It is unlikely that we would be forced to relocate our operations on all or most of these buildings concurrently. Accordingly, we believe the replacement would not have a materially adverse effect on our operations or financial condition.

- We had obtained building ownership certificates or real estate right certificates for 16 buildings with total GFA of approximately 4,395.8 square meters (representing approximately 5.1% of the total GFA of the buildings that we owned and occupied), while we had not obtained land use right certificates for the land occupied by these buildings. Among these buildings, we had not obtained land use right certificates for land occupied by 9 buildings with total GFA of approximately 1,948.1 square meters (representing approximately 2.2% of the total GFA of the buildings that we owned and occupied) because the sellers of these buildings were not able to obtain separate land use right certificates for these buildings. We had not obtained land use right certificates for the remaining 7 buildings with total GFA of approximately 2,447.8 square meters (representing 2.8% of the total GFA of the buildings that we owned and occupied) due to various reasons, including lack of construction certificates, failure to contact original owners of the properties or change the original purpose of the properties, or failure of the original owners to obtain land use right certificates.

Grandall Law Firm (Shanghai), our PRC legal adviser, is of the view that there is no substantial legal impediment to our occupation and use of these buildings. However, we may only freely transfer, pledge or otherwise dispose of these buildings after we obtain the relevant land use rights certificates. If the land occupied by these buildings is auctioned or disposed of by the owner of land use rights or competent land authorities, we will auction and dispose of these buildings. As a result, we may lose ownership to these buildings, but will be entitled to the proceeds from the auction or disposal of the buildings.

As these buildings are located in different regions, we believe the possibility is low that all or most of the buildings and the land occupied by these buildings are auctioned or disposed of concurrently. If we are forced to relocate our operations due to the title defects of these buildings, we can replace them with alternative properties, and we believe the replacement will not have a materially adverse effect on our overall operations or financial condition.

We have obtained letters of confirmation from competent land authorities regarding 11 of the 16 aforementioned buildings with total GFA of 2,042.3 square meters, confirming that the current land ownership status of the 11 buildings do not affect their use by us in our daily operations and we can occupy and use the land involving such 11 buildings without being subject to administrative penalties imposed by competent land authorities. We could also occupy and use the other five buildings, for which we had not obtained land use right certificates nor confirmation from competent land authorities that we could use the land occupied by these 5 buildings.

- We occupied, used and had obtained land use rights through transfer for, 4 buildings with total GFA of approximately 1,029.6 square meters (representing approximately 1.2% of the total GFA of the buildings that we owned and occupied). However, we had not obtained building ownership certificates for such 4 buildings.

  Grandall Law Firm (Shanghai), our PRC legal adviser, is of the view that we may only transfer, pledge or otherwise dispose of these 4 buildings after we obtain the building ownership certificates.

  If we need to relocate due to the lack of building ownership certificates, we can use alternative properties, and we believe the replacement will not materially adverse affect our overall operations or financial condition. In addition, we have obtained letters of confirmation from building authorities, confirming that we can occupy and use 1 of these 4 buildings with total GFA of 850.4 square meters prior to obtaining the relevant building ownership certificates without being subject to administrative penalties imposed by the building authorities.

- We had entered into purchase agreements with the real estate developers for 7 buildings with total GFA of approximately 40,327.7 square meters (representing approximately 46.3% of the total GFA of the buildings that we owned and occupied). However, we had not obtained building ownership certificates and land use right certificates for these buildings.

Grandall Law Firm (Shanghai), our PRC legal adviser, is of the view that these purchase agreements comply with applicable PRC laws and regulations. We have obtained letters of confirmation from competent land and building authorities, confirming that we are entitled to occupy and use such 7 buildings and the land occupied by these buildings and apply for ownership certificates prior to obtaining the building ownership certificates and land use rights certificates without being subject to administrative penalties imposed by competent building and land authorities.

- We had not obtained building ownership certificates nor land use rights certificates for 15 buildings that we actually occupied and used with total GFA of approximately 9,853.5 square meters (representing approximately 11.3% of the total GFA of the buildings that we owned and occupied) due to various reasons, including failure to separate land use right for buildings jointly constructed with other parties, complete construction procedures or contact original owners of the buildings.

  Grandall Law Firm (Shanghai), our PRC legal adviser, is of the view that we may only transfer, lease, pledge or otherwise dispose of these buildings and land after we have obtained building ownership certificates for the above buildings and, through transfer or lease, obtained land use rights for the land occupied by these buildings.

  We had obtained letters of confirmation from the relevant competent building and land authorities, confirming that we are entitled to occupy and use (i) 9 of these 15 buildings with total GFA of 5,431.8 square meters and (ii) the land occupied by these 9 buildings prior to obtaining the building ownership certificates and land use right certificates without being subject to administrative penalties by building and land authorities. In addition, we had obtained confirmation from the competent building authority that we could occupy and use another one of these 15 buildings, for which we had not obtained land use right certificates or confirmation from the competent land authority that we could use the land occupied by the building. We believe that we will be able to relocate our operations on these buildings to other properties for which we have obtained building ownership certificates or entered into valid lease contracts in the event that any third-party right holder claims or obtains building ownership rights for these buildings or the land use rights for the land occupied by these buildings through legal proceedings and requires us to relocate. We believe the relocation will not have a material adverse effect on our operations or financial condition.

We also occupied and used 11 buildings with total GFA of approximately 2,284.4 square meters, representing approximately 2.6% of the total GFA of the buildings that we owned and occupied. Owners of the building ownership certificates and/or the land use right certificates of these buildings are predecessors of Pingliang Commercial Bank and Baiyin Commercial Bank, i.e. Pingliang Urban Credit Cooperative, Pingliang Square Urban Credit Cooperative and Baiyin Urban Credit Cooperative. We are applying for a change of owners on such building ownership certificates and/or land use right certificates.

Grandall Law Firm (Shanghai), our PRC legal adviser, is of the view that we have assumed the aforementioned 11 buildings since we were combined with Baiyin Commercial Bank and Pingliang Commercial Bank, and we are entitled to occupy and use such buildings. There is no substantial legal impediment on the change of owners on such building ownership certificates and/or land use right certificates.

During the Track Record Period and as of the Latest Practicable Date, the defects in our titles to the above buildings did not have a material adverse effect on our operations. If we are forced to relocate our operations on any of these buildings, we believe we can replace the relevant buildings with alternative properties and the replacements would not materially affect our operations. As the buildings with title defects are located in different regions, we believe it is unlikely that we would be forced to relocate our operations on all or most of these buildings concurrently. Accordingly, our Directors are of the view that none of the buildings with defective titles is, individually or in the aggregate, crucial to our businesses.

Land Use Rights

As of the Latest Practicable Date, we owned one parcel of land with an aggregate area of approximately 4,001.3 square meters, and obtained land use right certificates for such land. We use the land for commercial purposes. We entered into a contract for the grant of state-owned construction land use rights (國有建設用地使用權出讓合同) in respect of the land in March 2016. Under the contract, we are required to start construction on the land by June 25, 2016. As of the Latest Practicable Date, because the PRC government had not finalized planning for the use of the land, we had not started construction work on the land. We expect to commence construction on the land once the PRC government completes planning for the land. We have obtained a letter of confirmation from the local land and resource bureau that it will not impose any idle land fees or administrative penalties on us or reclaim our land use rights. Accordingly, we have not made any provision for potential idle land fees.

Leased Properties

As of the Latest Practicable Date, we leased 324 buildings with an aggregate GFA of approximately 120,863.7 square meters. We primarily used these leased buildings as premises for our outlets. Among these buildings:

- For 119 buildings with an aggregate GFA of approximately 40,157.2 square meters (representing approximately 33.2% of the total GFA of our leased properties), the owners are the lessors. The owners of 14 buildings who are not lessors (with an aggregate GFA of approximately 6,805.0 square meters, representing approximately 5.6% of the total GFA of our leased properties) had provided us with building ownership certificates, and the lessors had provided us with documents evidencing that the owners or co-owners of these buildings had authorized them to sublet or lease these buildings.

  Grandall Law Firm (Shanghai), our PRC legal adviser, is of the view that the lessors are entitled to lease these buildings, and that the leasing agreements are legal and valid. We are entitled to occupy and use such leased buildings during the term of the lease.

- Lessors of 191 buildings (with an aggregate GFA of approximately 73,901.6 square meters, representing approximately 61.1% of the total GFA of our leased properties) had not provided us with valid title certificates or documents evidencing that the owners of these buildings had authorized them to lease these buildings. These buildings are mainly for our outlets or offices. Among these buildings, the lessors of 122 buildings (with an aggregate GFA of approximately 50,164.2 square meters, representing approximately 41.5% of the total GFA of our leased properties) had provided written undertakings to confirm that they have legitimate rights to lease these buildings, and that they will indemnify us for all losses due to the title defects.

Grandall Law Firm (Shanghai), our PRC legal adviser, is of the view that the lessors do not have the right to lease these buildings if they have not obtained the valid title certificates or documents evidencing that the owners of these buildings have authorized them to lease the buildings. Our leasing of the buildings may be affected if any third party raises any objection as to the validity of the leases. However, we may raise a claim against the lessors based on their written undertakings to us. If the lessors enter into multiple leasing agreements for one single property, as the legitimate occupant of the property, we will be deemed to be the legitimate lessee of the property according to relevant judicial interpretations.

As of the Latest Practicable Date, we had registered and filed lease agreements for 2 buildings with administrative authorities. The lessors of 256 of our leased buildings, the lease agreements of which had not been registered and filed, had provided written undertakings to confirm that the registrations and filings of these leasing agreements have not been completed due to objective reasons not related to us.

The lessors bear responsibility and will compensate us if our use of leased buildings is affected or if we are subjected to unfavorable consequences, including administrative penalties due to non-registration of lease agreements. In addition, the lease agreements for 66 leased buildings had not been registered and filed, and no written undertakings were issued from the lessors of these buildings.

Grandall Law Firm (Shanghai), our PRC legal adviser, is of the view that the non-registration of lease agreements will not affect the validity of the lease agreements. However, the housing administrative authorities may require us to complete registration within a specified timeframe, or impose fines ranging between RMB1,000 and RMB10,000 for any delay in making the necessary registrations. Therefore, we are entitled to use such buildings in accordance with the lease agreements.

We may be subject to fines if we fail to complete the lease registration in accordance with the requirements of the housing administrative authorities. We may also raise a claim against a lessor based on its written undertakings to us. During the Track Record Period and up to the Latest Practicable Date, the relevant housing administrative authorities did not impose administrative penalties on us for the non-registration of lease agreements.

We believe that we will be able to find alternative business premises that are legally rentable in the applicable regions if we are forced to terminate the relevant lease or relocate our operations on the affected buildings due to defective title or the non-registration of lease agreements. The relocation will not have a material adverse effect on our operations or financial condition, nor will such situation cause any substantial effect on this Listing.

Property Valuation

As of July 30, 2017, no single property accounted for 15% or more of our total assets. Therefore, we are not required by section 5.01A of the Listing Rules to include any valuation report in this prospectus. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements in paragraph 34(2) of the Third Schedule to section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

BUSINESS ACTIVITIES INVOLVING SANCTIONED COUNTRIES

Overview

The United States has imposed sanctions against Cuba, Iran, North Korea, Sudan, Syria, and the Crimea region of Ukraine (the "**Sanctioned Countries**") as well as individual persons and entities on lists of designated parties. To varying extents, the European Union, Australia, and the U.N. also maintain certain sanctions.

We do not engage, and have not in the past five years engaged, in a transaction or dealing, directly or indirectly, involving a Sanctioned Country other than Iran. Our Iran-related transactions and dealings have been limited to the provision of RMB and Euro ("**EUR**") settlement services to PRC merchants that we believe sell daily necessities and commercial electronic devices to Iranian companies. In connection with these settlement services, we maintain RMB and EUR settlement accounts for fifteen Iranian banks.

Fourteen of the fifteen Iranian banks for which we maintain accounts are identified on the List of Persons Identified as Blocked Solely Pursuant to Executive Order 13599 (the "**13599 List**") by the U.S. Department of Treasury Office of Foreign Assets Control ("**OFAC**"). As a general matter, U.S. persons, wherever located, have an obligation to block the property and interests in property of individuals and entities that meet the definition of the Government of Iran or an Iranian financial institution, including those entities identified in the 13599 List. However, U.S. sanctions do not currently prohibit non-U.S. persons, such as financial institutions like us, from engaging in transactions or dealings with these banks, including maintaining RMB and EUR accounts for them, provided there is no involvement by U.S. persons, including U.S. financial institutions. As described in more detail below, our Iran-related activities do not involve, directly or indirectly, U.S. persons or U.S. financial institutions.

The remaining one Iranian bank is not identified on the 13599 List. None of the fifteen Iranian banks for which we maintain accounts are currently listed on the OFAC List of Specially Designated Nationals and Blocked Persons (the "**SDN List**") or on the E.U. Consolidated List of Financial Sanctions Targets.

The monetary value of the Iran-related settlement transactions we have handled during the Track Record Period, as well as the commission income we received in connection with these settlement services and the percentage of our total operating income that this commission income represents, are as follows:

Year	Settlement Amount	Commission Income	Percent of Total
2014	—	—	—
2015	US$30.6 million	RMB0.5 million	0.01%
2016	US$151.2 million	RMB2.8 million	0.04%
2017 (as of June 30)	US$181.4 million	RMB3.4 million	0.08%

U.S. Sanctions

After consulting with our legal adviser, on the basis of the facts we have shared with such advisers, we believe that as a financial institution organized and established under the laws of, and operating exclusively in, the PRC, our operations are not likely to present material risks under current U.S. sanctions for the following reasons:

- To our knowledge, our transactions and dealings related to Iran have not involved U.S. persons, U.S. financial institutions, U.S.-owned or -controlled foreign entities, or U.S. Dollar denominated transactions, and we have not received any other form of support or approval from U.S. or U.S.-owned or -controlled persons or resources in connection with these transactions and dealings;
- None of our Iran-related transactions or dealings involves U.S.-export-controlled products, software or technology, military end-users or defense-related items, or items relating to nuclear, biological or chemical weapons proliferation; and
- None of the fifteen Iranian banks for which we maintain accounts, nor any other party involved, directly or indirectly, in our Iran-related transactions or dealings, is identified on the SDN List, nor to our knowledge, is owned 50% or more of their equity interest by one or more parties on the SDN List.

E.U. Sanctions

The European Union imposes sanctions that prohibit or restrict certain exports and business dealings related to Iran, and contain significant restrictions on dealings with persons, bodies and entities listed on the E.U. Consolidated List of Financial Sanctions Targets.

E.U. sanctions generally apply within the territory of the European Union, on board aircraft and vessels under the jurisdiction of an E.U. Member State, and to nationals of and legal persons, entities and bodies incorporated or constituted under the laws of an E.U. Member State. E.U. sanctions also apply to any legal person, entity or body in respect of any business done in whole or in part within the European Union.

After consulting with our legal adviser, on the basis of the facts we have shared with such advisers, we believe that as a financial institution organized and established under the laws of, and operating exclusively in, the PRC, our operations outside the European Union are not likely to present material risks under current E.U. sanctions for the following reasons:

- There is no involvement of any national of an E.U. Member State, any legal person, entity or body incorporated or constituted under the law of an E.U. Member State, or any aircraft or vessel under the jurisdiction of any E.U. Member State in our businesses;
- None of the transactions involving Iran relates to our businesses (including but not limited to our provision of financing, financial assistance and brokering services) in respect of the items listed in Annexes I, II, III, VIIA and VIIB to E.U. Regulation 267/2012 or the items listed in the Common Military List of the E.U.; and
- None of the transactions relating to Iran has involved, directly or indirectly, any party on the E.U. Consolidated List of Financial Sanctions Targets, nor to our knowledge, any person or entity that is owned, controlled by or acting for or on behalf of a person or entity listed on the E.U. Consolidated List of Financial Sanctions Targets.

Australian Sanctions

Australian Sanctions Laws are broad and cover a range of activities relating to making assets or financial services available, directly or indirectly, to Designated Persons. Australian Sanctions Laws also cover various sanctions relating to the supply of goods and services. It is also an offence under Australian Sanctions Laws to provide false or misleading information to an Australian Commonwealth government entity in connection with Australian Sanctions Laws.

Australian Sanctions Laws generally apply to all conduct of Australian citizens or Australian incorporated entities inside or outside of Australia. For other persons and entities, Australian Sanctions Laws apply to them only if there is a relevant geographical link to Australia.

Based on the advice from our legal adviser, we believe that, as a financial institution organized and established under the laws of, and operating exclusively in, the PRC, our provision of RMB and EUR settlement services to PRC merchants that we believe sell daily necessities and commercial electronic devices to Iranian companies and maintenance of RMB and EUR settlement accounts for fifteen Iranian banks are less likely to be punished by Australian Sanctions Laws because none of these activities has a relevant geographical link to Australia.

Our Undertakings and Internal Control Procedures

We undertake to the Hong Kong Stock Exchange that:

- We will not knowingly use the proceeds from the Global Offering or any other funds raised through the Hong Kong Stock Exchange to finance or facilitate, directly or indirectly, any projects or businesses in the Sanctioned Countries;
- We will disclose on the Hong Kong Stock Exchange's website and on our own website if our transactions or dealings in Sanctioned Countries put us or our Shareholders or potential investors at risk of being sanctioned; and
- We will disclose in our annual reports/interim reports our efforts on monitoring sanctions risk exposure, the status of any future business in the Sanctioned Countries, and our business intentions relating to the Sanctioned Countries.

If we breach any of these undertakings to the Hong Kong Stock Exchange, we risk our H Shares being delisted by the Hong Kong Stock Exchange.

We have adopted the following internal control measures to identify, monitor, and manage our exposure to sanctions risk and to comply with our undertakings to the Hong Kong Stock Exchange:

- We conduct sanctions-related screening in connection with our international transactions, including screening against the SDN List and the Sectoral Sanctions Identifications List (the "**SSI List**") and the E.U. Consolidated List of Financial Sanctions Targets;
- We provide training on sanctions laws to our employees at our head office;
- We will seek appropriate advice from external legal advisers upon identifying any material sanctions risk in our operations; and
- We will closely monitor the use of the proceeds from the Global Offering and other funds raised through the Hong Kong Stock Exchange to help ensure the proceeds and other funds will not be used for or applied to any sanctioned business. We will also deposit these proceeds and funds in a separate bank account.

We consider various factors when determining whether to engage in transactions involving Sanctioned Countries, including:

- The scale of the transactions as a percentage of our total operating income;

- Involvement of any persons or entities on lists of designated parties maintained by the sanctions enforcement agencies;
- Involvement of any industries or sectors that are subject to sanctions; and
- Legal and reputational risks.

Directors' and Sponsors' View

Our Directors are of the view that the internal control measures we have adopted are adequate and effective in:

- Ensuring that we comply with our undertakings to the Hong Kong Stock Exchange; and
- Identifying, monitoring and managing sanctions risks to protect our interests and the interests of our Shareholders, potential investors, the Hong Kong Stock Exchange, the HKSCC and the HKSCC Nominees.

The Joint Sponsors concur with the view of our Directors.

Based on the advice from our legal advisers, on the basis of the facts we have shared with such advisers, our Directors believe that our settlement transactions involving Iran are not likely to present material sanctions risks to our Shareholders or potential investors merely as a result of holding our Shares or investing in us, or to the Hong Kong Stock Exchange, the HKSCC and the HKSCC Nominees merely as a result of listing our H Shares or providing services in relation to such listing. There can be no assurance, however, that the sanctions enforcement agencies would not take a different view, and the relevant agencies retain substantial discretion in the interpretation and enforcement of the sanctions.

Our Directors believe that our existing and future settlement transactions involving Iran will not render us unsuitable for listing on the Hong Kong Stock Exchange because:

- Income derived from our provisions of settlement services involving Iran in aggregate accounted for less than 0.05% of our operating income in 2016;
- We will not take the initiative to enlarge the scale of our Iran-related transactions unless required by national macro policies or strategies, to ensure these transactions account for one percent or less of our total operating income; and
- We believe our undertakings to the Hong Kong Stock Exchange and the internal control measures that we have implemented will ring-fence our exposure to sanctions risk.

LEGAL PROCEEDINGS AND COMPLIANCE

License Requirements

As of the Latest Practicable Date, we and Jingning Chengji Rural Bank had obtained the necessary business qualifications required for our operations.

Legal Proceedings

We are involved in legal disputes in the ordinary course of business. As of the Latest Practicable Date, we were the claimant in 34 pending lawsuits and arbitrations with claim amount of RMB10.0 million or above. These lawsuits and arbitrations had an aggregate principal at stake of approximately RMB1,380.3 million as of the Latest Practicable Date. We primarily brought these claims against borrowers for the recovery of loans. As of the Latest Practicable Date, we were not involved in any lawsuit or arbitration with claim amount of RMB10.0 million or above as defendant or respondent.

Our Directors confirmed that, as of the Latest Practicable Date, none of the lawsuits or legal proceedings to which we were a party, individually or in the aggregate, would have a material and adverse effect on our business, financial condition or results of operations. None of our Directors, Supervisors or senior management personnel was involved in any of these lawsuits or arbitrations.

Regulatory Inspections and Proceedings

Our head office, branches, sub-branches and Jingning Chengji Rural Bank are subject to inspections and reviews by the PRC regulatory authorities (including CBRC, PBoC, SAT, NAO, NDRC and SAFE) and their respective local offices and bureaus in the PRC. During the Track Record Period and up to the Latest Practicable Date, we were subject to administrative penalties as a result of these regulatory inspections and reviews, generally in the form of fines.

In addition, certain routine or ad hoc inspections and reviews conducted by the PRC regulatory authorities have identified deficiencies in our operations, risk management and internal controls. Although the identified deficiencies have not had any material adverse effect on our business, financial position or operating results, we have taken remedial measures to prevent the occurrence of similar events.

Administrative Penalties

During the Track Record Period and up to the Latest Practicable Date, we were subject to administrative penalties by the following regulatory authorities as a result of regulatory inspections and reviews, generally in the form of fines, as set forth below:

- *PBoC.* In December 2015, we were imposed a fine of RMB80,000 by the Lanzhou Branch of PBoC for:
  - failing to report financial statistics in accordance with applicable regulatory requirements;
  - not making required filings for the opening of certain corporate accounts;
  - opening accounts and making cash withdrawals without approval; and
  - not accounting for treasury funds in segregated accounts.
- *Development and Reform Commission.* In June, August, September and October 2014, the Gansu Provincial Development and Reform Commission and certain of its municipal counterparties imposed five fines in an aggregate amount of RMB571,190 on our head office and certain of our branches and sub-branches, primarily for:
  - passing the registration fees for mortgaged properties onto customers during the processing of our mortgage loans business;
  - failing to pay registration fees for mortgaged properties in accordance with relevant PRC laws and regulations; and
  - charging financial advisory fees for loans extended to customers.

To prevent the re-occurrence of similar non-compliance incidents, we have enhanced the internal sanction mechanisms and the internal monitoring and audit procedures for our mortgage loan business, and provided training to employees at our major branches and sub-branches. We believe these enhanced remedial measures will be adequate and effective in preventing the re-occurrence of similar non-compliance incidents.

Since November 2014, we have not been imposed any fines or regulatory sanctions by any regulatory authorities for violating, or otherwise been found to have violated, similar regulatory requirements in our mortgage loan business. In addition, we have not identified any major weakness in the risk management and internal control procedures, or any non-compliance or risk incidents in connection with our mortgage loan business.

- *Bureaus of SAT*. In November 2014, July and September 2015, December 2016 and June 2017, the local bureaus of SAT in Gansu province imposed five fines on our head office and certain of our branches in an aggregate amount of approximately RMB67,200 for:
  - insufficient filing and payment of urban maintenance and construction tax, education surcharge, stamp tax, vehicle and vessel tax and business tax; and
  - insufficient withholding of individual income tax.

As of the Latest Practicable Date, we had paid in full the fines described above. Our PRC legal adviser, Grandall Law Firm (Shanghai), is of the view that these fines have not had any material adverse effect on our business, financial position or operating results because the fines accounted for a minimal portion of our audited operating income during the Track Record Period and have been paid in full. We believe that the fines will not have a material adverse effect on our business, financial conditions and results of operations and will not hinder us in obtaining the approvals, licenses and authorizations or making the filings necessary for our operations.

We have rectified the defects identified by the above regulatory authorities including the PBoC, DRC and SAT, through the following measures in accordance with the relevant regulatory requirements and our internal rules and procedures:

- Timely modifying management policies and operational procedures, disciplining responsible employees and management personnel;
- Conducting comprehensive self-inspections on our branches and sub-branches that were not inspected; and
- Providing training and guidance to employees at our branches and sub-branches to enhance their compliance awareness and enhance the implementation of our policies.

We believe that we have remedied the defects identified by the regulatory authorities through the remedial measures set out above. Our internal control consultant is of the view that these remedial measures are effective to address the issues identified by the regulatory authorities and to prevent the re-occurrence of similar non-compliance incidents. As of the Latest Practicable Date, we had not received any objection to these remedial measures or any request to implement further remedial measures from the PRC regulatory authorities.

We have not identified any major risk management and internal control weaknesses in connection with the deficiencies identified by regulatory authorities. Grandall Law Firm (Shanghai), our PRC legal adviser, has advised us that these deficiencies will not prevent us from obtaining the approvals, licenses and authorizations or making the filings necessary for our operations. Accordingly, we believe the above deficiencies identified by regulatory authorities will not materially affect our business, financial conditions and results of operations.

Regulatory Inspection Results

The PRC regulatory authorities conduct routine and ad hoc inspections of our head office, branches and sub-branches as well as of Jingning Chengji Rural Bank. Based on these inspections, PRC regulatory authorities issue regulatory reports that describe their inspection findings and recommendations. We have submitted to the regulators our remediation reports for the deficiencies they have identified. As of the Latest Practicable Date, PRC regulatory authorities had not raised any objections or additional remedial recommendations with respect to the remedial measures we have adopted, nor have they required that we adopt additional remedial measures.

In addition, PRC banking regulatory authorities have confirmed that (i) our remedial measures would be effective in remedying the non-compliance incidents described in the regulatory reports and preventing the reoccurrence of similar incidents, and (ii) they had not imposed any material administrative penalties (such as suspension of operations) on us for the non-compliance incidents described in the regulatory reports. Accordingly, we believe that we have remedied these deficiencies pursuant to their recommendations, and that the non-compliance incidents will not materially affect our business, financial conditions or results of operations, or prevent us from obtaining the approvals, licenses and authorizations or making the filings necessary for our operations.

The key inspection findings of the PRC regulatory authorities and our primary remedial measures during the Track Record Period and as of the Latest Practicable Date are set forth below.

CBRC Inspection Results

Major opinions	Major remedial measures	Latest submission of remedial reports
Credit Risk Management		
• Non-performing loan ratio increased with the rapid growth in the scale of credit. As a result, our exposure to credit risk increased as reflected in increases in loans categorized as "special mention" and advances under bank acceptance bills. In the first half of 2015, "special mention" loans and advances under bank acceptance bills increased by approximately 557% and 157%, respectively.	• We have tightened the conditions for industry and customer acceptances; • We have strengthened our requirements for credit reviews and approvals and post-disbursement management, and improved the risk alert mechanism of our credit risk alert system based on "big data" technology; and • We have closely monitored changes in the quality of our assets, and strengthened the recovery of loans exposed to risks.	January 2017
• Borrower concentration exceeded the minimum requirements of 10% for a single borrower and 15% for a single group borrower at certain times;	• We have enhanced efforts in expanding our client base to lower loan concentration;	January 2017

Major opinions	Major remedial measures	Latest submission of remedial reports
certain credit concentration indicators (such as credit extended to the ten largest single borrowers) exceeded regulatory limits.	• We have enhanced the monitoring of regulatory indicators; and • We have adjusted our loan structure by reducing loans to customers in certain industries and extending more credit to the "three rurals", SME and new markets.	
• There were deficiencies in our pre-loan investigation, credit review and approval, loan disbursement and post-disbursement management procedures. These primarily included:	• We have enhanced our pre-loan investigation, credit review and approval, loan disbursement and post-disbursement procedures by taking the following measures:	January and February 2017
• inaccurate classification of certain loans; • insufficient review and monitoring of the use of loan proceeds;	• enhancing review of loan classifications, upgrading our credit system and developing a credit risk alert system based on "big data" technology to improve the objectivity and accuracy of loan classifications, and enhance inspections and alerts with respect to the accuracy of loan classifications;	
• failure to identify multiple extensions of credit to affiliated enterprises and joint guarantee loans;	• standardizing pre-disbursement inspections on the use of loan proceeds, and enhancing the monitoring of the use of loan proceeds;	
• deficiencies in the assessment and management of mortgages and guarantees for certain loans (including the management of guarantee companies); and	• developing an internal control, compliance and operational risk management system, and enhancing the inspection, rectification and punishment of non-compliant business activities;	
• renewal of, or failure to take effective exit measures for, loans granted by certain branches to enterprises lacking the ability to repay loans.	• collecting or disposing of existing joint guarantee loans, and enhancing connected person identification and other relevant business management measures to reduce new joint guarantee loans; • enhancing collateral management in accordance with regulatory requirements;	

Major opinions	Major remedial measures	Latest submission of remedial reports
	• enhancing inspections and monitoring of operating and financial conditions as well as the repayment ability of guarantee companies; requiring guarantee companies to provide sufficient guarantee deposits; implementing a guarantee company entry system; and removing guarantee companies that have insufficient ability to guarantee loans or with relatively high risk exposure; • enhancing online inspections and periodic analyses of collateral valuations through our new generation credit management system; • collecting loans for which the maturities of mortgages are shorter than the maturities of loans; • taking legal measures to preserve credit assets, and ceasing to extend new loans to enterprises that lack repayment ability; • establishing a bank-wide system for the management of customer information to achieve real-time updates of basic customer information; • strictly implementing a credit record management system; and • enhancing training for employees to raise their professional standards.	
Financial Market Operations Management		
• Non-credit assets and off-balance sheet businesses grew too quickly,	• We have enhanced training on employees' professional business	January 2017

Major opinions	Major remedial measures	Latest submission of remedial reports
resulting in a decrease in loans as a percentage of total assets. Loans accounted for approximately 40% of total assets at the end of 2015. Our risk management was inadequate as our non-credit and off-balance-sheet assets grew, as demonstrated by:	skills and compliance awareness, and inspections of employee business activities;	
• Deficiencies in information disclosure and employee management;	• We have enhanced the implementation of procedures relating to pre-investment investigations, investment reviews and approvals and post-investment management; and	
• Deficiencies in managing interbank investment targets; and	• We have enhanced the implementation of our classification systems for non-credit assets and enhanced the examination of non-credit assets.	
• Inaccurate classification of non-credit assets.		
• The management of interbanking business systems should be improved, including the failure to identify the underlying assets of certain asset management plans.	• We have enhanced the implementation of the "look-through" approach and strictly implemented management mechanisms with respect to the underlying assets of asset management plans; and • We have strictly regulated the type and scope of wealth management investment targets and ceased non-compliant interbank investment businesses.	July 2017
• The management of bills-related businesses including verification of the trading background and deposits of bills, should be strengthened; and we should refrain from cycle billing and advances under bank acceptance bills.	• We have strengthened our examination of customers' repayment ability and the authenticity of trading contracts; strictly implemented the concurrent review of trade contracts and transaction verification; and established a management mechanism for customers requiring special attention and blacklisted customers to improve the review and supervision of our bills-related business.	January 2017

Major opinions	Major remedial measures	Latest submission of remedial reports
Liquidity Risk Management		
• Liquidity risk was rising, and there were deficiencies in liquidity risk management and testing.	• We have formulated contingency plans for liquidity risk management; • We have enhanced the monitoring of daily liquidity indicators; • We have increased the frequency and effectiveness of liquidity testing; and • We have strengthened the monitoring and management of assets and liabilities based on market funds and liquidity conditions.	January 2017
Operational Risk Management		
• Deficiencies in the construction of the IT system.	• We have established contingency response and recovery plans for the information system; • We have commenced annual emergency drills and general and specific internal audits of information technology; • We have upgraded and improved our IT system, completed the upgrade of our core system, increased our commitment to IT to better support our operations and management, and established an off-site disaster recovery center; and • We began to develop a new generation core banking system based on the SOA-framework in December 2015. The system went online in October 2017.	December 2014
Internal Control and Corporate Governance		
• There were deficiencies in internal controls and corporate governance, including: • the unclear delineation of internal control management responsibilities;	• We have engaged consulting firms to diagnose and improve our system of internal controls; • We have specified the responsibilities for each position relating to internal controls and	January 2017

Major opinions	Major remedial measures	Latest submission of remedial reports
• internal controls were too dispersed; and • there were deficiencies in the management and internal control system of our interbank and wealth management businesses.	compliance, and designated our legal and compliance department to lead the management of internal controls across our company; • We have enhanced management of internal controls and designed detailed measures for post-investment and business file management; • We launched a billing system and a capital business system in October 2017. We have also established and intend to activate a wealth and asset management system and a sales system. • We have strengthened regulation and supervision over accounting through the accounting system established in early 2017, and rectified issues in the reconciliation report; • We have enhanced the training and supervision of daily operations for accountants; and • We have enhanced our internal checks.	
PBoC Inspection Results		
• There were deficiencies in the implementation of anti-money laundering systems by certain of our branches, including the accuracy of identification of client identities and the classification and adjustment of money laundering risk levels.	• We have improved the interface for new customer risk ratings in our anti-money laundering system, and enhanced manual reassessments; • The post facto supervision center has supervised the online verification of customer identity information through various business outlets; and • We have enhanced the evaluation of the classification and timely adjustment of money laundering risk levels.	September 2015

Major opinions	Major remedial measures	Latest submission of remedial reports
• Interbank business needs to be further regulated, and risk controls need to be strengthened.	• We have increased capital restrictions for outstanding and new interbank business; • We have improved the calculation method for risk-weighted assets; • We have made adjustments to past accounts and audits based on the latest accounting standards; • We have insisted on the "look through" principle and committed to refrain from investing through multiple layers of vehicles. • We have improved the relevant risk management (including credit management) systems for our interbank business, and strengthened the implementation of risk management systems; and • We have established an access permission mechanism for the counterparties in our interbank business; cooperated with financial institutions with good credit standing, steady operations and strong risk control capabilities; and regularly evaluate the credit risks of counterparties;	April 2017
• There were defects with respect to the management of information and network security.	• We have upgraded and improved our existing information network facilities; • We have strengthened the supervision and examination of our information network and implemented a computer room management system; and • We have engaged external security consultants.	September 2015
NAO and Local Audit Department Inspection Results		
• There were deficiencies in the financial management and financial accounting of some branches.	• We have conducted timely adjustments of accounts in accordance with regulations; and	November 2015

Major opinions	Major remedial measures	Latest submission of remedial reports
	• We have enhanced training for employees, and improved their business skills.	
• There were certain instances of non-compliance in the credit business.	• We have exited existing non-compliant investments; • We have strengthened risk management for new credit businesses; • We have improved our employees' business abilities; and • We have activated a bill management system.	November 2015

Compliance with Core Indicators (Provisional)

During the Track Record Period, we complied with the regulatory indicators stipulated by Core Indicators (Provisional) issued by the CBRC, while Jingning Chengji Rural Bank failed to meet part of the ratios stipulated therein. Please refer to "—Jingning Chengji Rural Bank—Regulatory Compliance".

The Core Indicators (Provisional) do not stipulate any penalties for failure to comply with the regulatory indicators. In accordance with the Core Indicators (Provisional), except as otherwise provided by laws, administrative rules and department regulations, failure to meet the regulatory ratios does not constitute direct basis for administrative penalties. During the Track Record Period and up to the Latest Practicable Date, Jingning Chengji Rural Bank had not been notified of administrative or regulatory penalties for failure to meet regulatory indicators.

Furthermore, the competent regulatory authorities have confirmed that no administrative penalties have been imposed on Jingning Chengji Rural Bank for violation of laws and regulations on banking supervision and management during the Track Record Period. We believe that Jingning Chengji Rural Bank's failure to meet certain regulatory indicators during the Track Record Period will not have a material and adverse effect on the business, financial conditions and results of operations of the Bank and Jingning Chengji Rural Bank and will not hinder us and Jingning Chengji Rural Bank in obtaining the approvals, licenses and authorizations or making the filings necessary for our operations.

Non-Compliance Incidents by Employees

We have detected non-compliance incidents committed by our employees in the past. Details of major employee non-compliance incidents during the Track Record Period and up to the Latest Practicable Date are set forth below:

Mao Ruidong Fraud case

Mao Ruidong served as manager of the "three rurals" SME financing business department of our Lanzhou high-tech district branch from May 2015 to August 2015. From June to October 2015, Mao Ruidong, together with four other suspects in this case—Guo Qiang, Zhang Lihou, Hu Jun and Han Fengjun—planned to secure loans from us with forged deposit receipts.

These four suspects were third parties independent from the Bank. Mao Ruidong took advantage of his position as the manager of the "three rurals" SME financing business department of our Lanzhou high-tech district branch, and duplicated three deposit receipts owned by two of our corporate customers in violation of our relevant internal regulations. The three deposit receipts were worth a total of RMB120 million. The other four suspects forged these three deposit receipts duplicated by Mao Ruidong and other relevant documentation, and then successfully secured a bank acceptance bill in the amount of RMB120 million.

After the occurrence of the case, we immediately reported this case to the public security office and controlled our losses using legal methods. As of the Latest Practicable Date, we have recovered monetary losses of approximately RMB106.5 million directly or through legal channels such as judicial freezing and transfer. In August 2016, the People's Procuratorate of Chengguan District of Lanzhou prosecuted Mao Ruidong for forgery of financial instruments. As of the Latest Practicable Date, the court hearing for this case is still in progress.

We have disciplined the responsible employees immediately after the occurrence of this case. We also managed to control relevant risks and have taken measures such as improving relevant business compliance operations and supervision and inspection system, enhancing employees' awareness of compliance and risks, and strengthening the implementation of accountability and punishment mechanisms imposed on relevant personnel to prevent similar incidents from happening again.

We believe that this case was an one-off incident with minimal economic losses caused. As such, it would not have had a material adverse effect on our business, financial condition and results of operations.

Lei Hong Bribery Case

Lei Hong served as president of our Hongyuan Road branch from June 2013 to July 2014, and as a director of our Linxia branch from September 2012 to June 2013. Prior to joining us, Lei worked at Bank of China from July 2009 to September 2012. During his tenure at the Bank of China and our Bank, Lei Hong was convicted of accepting bribes of RMB250,000 and approximately RMB3.07 million, respectively. In July 2015, Lei Hong was sentenced to imprisonment of 11 years as a result of accepting these bribes.

Zhao Yue Bribery Case

Zhao Yue served as president of Jingning Chengji Rural Bank from October 2014 to July 2015, and as manager of the comprehensive management department of our Pingliang Branch from November 2011 to November 2014. Prior to joining us, he worked at Xiguan Urban Credit Cooperative, Pingliang Urban Credit Cooperative and Pingliang Commercial Bank. In December 2015, Zhao Yue was convicted of accepting bribes of approximately RMB220,000 while working at Jingning Chengji Rural Bank, and was sentenced to imprisonment of three years with fines of RMB200,000.

In the aforesaid bribery cases, both Lei Hong and Zhao Yue extended loans in return for the bribes. As of the Latest Practicable Date, none of these loans have defaulted or become non-performing loans. The Bank is of the view that the loans involved in these two bribery cases would not cause a material and adverse impact on our credit quality or our operations.

We dismissed the two employees who accepted bribes and assisted the judicial body in investigating their criminal responsibilities immediately after the discovery of these two cases. We also implemented general remedial measures aimed at preventing the re-occurrence of similar bribery cases, including, among others, revisions of internal policies and procedures, enhanced employee training, increased frequency and scope of internal inspections, and enhanced internal reporting and sanction mechanism.

We have not been subject to any fine or penalties for any employee non-compliance incident. We believe that the occurrence of these bribery cases did not reveal any material deficiencies in our operations, internal audit, internal control or risk management, and that these bribery cases, individually or in the aggregate, will not have a material and adverse effect on our business, financial condition and results of operations.

During the Track Record Period and as of the Latest Practicable Date, we did not know of any other similar employees' bribery cases other than the two mentioned above. None of our Directors, Supervisors nor senior management members were involved in these non-compliance incidents.

Anti-money Laundering

No material abnormal money laundering incidents related to us have been identified or reported to senior management during the Track Record Period and up to the Latest Practicable Date.

OVERVIEW

We are primarily exposed to credit risk, liquidity risk, market risk and operational risk in our business. We are also exposed to other risks such as reputational risk, information technology risk and legal and compliance risk.

Since our inception, we have implemented comprehensive risk management strategies to enhance our risk management systems.

Risk Management Objectives and Principles

We seek to maintain a comprehensive risk management system in line with the nature, scope and complexity of our business. Our risk management objectives include:

- ensuring that our business activities comply with legal and regulatory requirements;
- cultivating a bank-wide culture of risk management to raise risk management awareness, and enhancing the expertise of our risk management team;
- improving our risk management systems and procedures;
- formulating emergency plans for material risks to avoid substantial losses from disasters or human errors; and
- enhancing our ability to identify, measure, prevent and manage risks.

Our risk management is based on the following principles:

Matching	Risk management systems should match the risk profile and systematic importance of the Bank, and should be modified based on changes in the business environment.
Comprehensiveness	Risk management should cover all operations, procedures, branches, sub-branches, departments and employees, and encompass all major risk categories.
Independence	The risk management organizational structure should include sufficient human and other resources for risk management, as well as proper reporting channels and operating mechanisms that provide checks and balances on company activities.
Effectiveness	We evaluate capital and liquidity sufficiency based on market and company conditions to effectively manage our exposure to general and specific risks.

Risk Management Measures

To achieve our risk management objectives and improve risk recognition, measurement, monitoring and control, we have adopted the following measures:

- Based on the principle of "comprehensive risk management," we have set up a vertical risk management structure by establishing risk management departments and positions at our head office and at each branch and sub-branch. Our head office, branches and sub-branches prepare risk reports on a monthly, quarterly and yearly basis under our risk management reporting system.

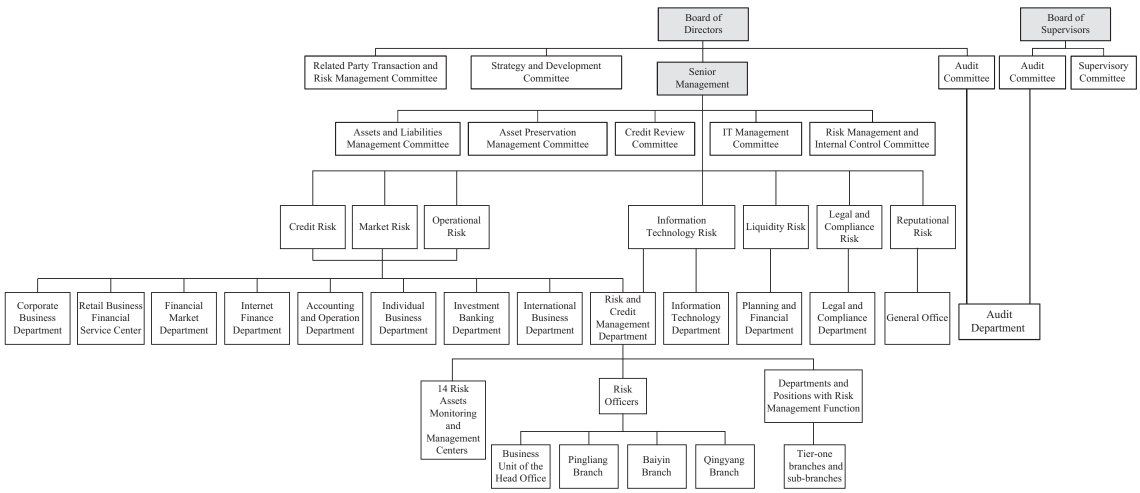
- We have established a comprehensive risk management, internal control reporting, announcement and appraisal system. We have formulated a three-year strategic risk management plan, refined our implementation plans, and improved policies, mechanisms and procedures based on our internal control and operational risk management system.
- We have developed risk management information technology systems, including (i) a new-generation credit management system; (ii) a credit risk alert system based on big data technology that covers customer financial risks, credit risks, risk mitigation and risk measurement metrics; and (iii) a GRC system that covers internal controls, compliance and operational risks.
- We have formulated implementation measures for major operational risk management tools and met the conditions for the measurement of operational risk capital.
- We have promoted credit risk limit management, gradually established a multi-level limit management system and optimized the formulation of our internal rating system. We have improved our pricing system, risk strategies, provisioning of loss reserves, resource allocations and risk management culture.
- We have improved market risk identification, measurement and monitoring procedures. We have also been considering different market risk limits for our various business lines. In addition, we have managed market risks through modeling, VAR, bond duration analysis, sensitivity analysis, foreign exchange exposure analysis and market risk stress tests.
- We regularly provide risk management training. Since the fourth quarter of 2015, we have conducted bank-wide on-site training for employees in our risk management and credit management departments using one-to-one coaching, training programs and workshops and tests. We have also invited law firms and professional institutions to provide training to our employees regarding credit risks, operational risks, credit review and approval procedures and collection of overdue loans.

Risk Management Structure

We have established three lines of defense against the risks associated with our business activities:

- **The First Line of Defense** consists of our front office business departments and business outlets, which identify, evaluate, address, monitor and report risk exposure at the front-end of our operations.
- **The Second Line of Defense** consists of our risk asset monitoring and management center, legal and compliance department, as well as our back office business management departments, including our risk and credit management and accounting departments. We separate these departments from business departments through an internal "Chinese Wall", and maintain the independence of risk management through reviews, appraisals, inspections, remedial measures and accountability arrangements.
- **The Third Line of Defense** comprises of our audit department, which supervises and evaluates our risk management procedures, risk events and their heads and responsible departments.

The following diagram depicts the principal organizational structure of our risk management as of the Latest Practicable Date:



Board of Directors and its Special Committees

Our Board of Directors is ultimately responsible for our risk management. The Board is primarily responsible for:

- cultivating our risk management culture, philosophy, values and code of conduct;
- formulating risk management strategies;
- determining our overall risk appetite and risk limits;
- reviewing and approving risk management policies and procedures;
- supervising the performance of risk management responsibilities by our senior management;
- reviewing risk management reports;
- reviewing and approving disclosures regarding our exposure to major risks and overall risk exposure; and
- appointing our chief risk officer.

We have established a related party transaction and risk management committee, strategy and development committee and audit committee under our Board of Directors. We believe we have established effective communication mechanisms between our Board and these special committees.

Related Party Transaction and Risk Management Committee

Our related party transaction and risk management committee is primarily responsible for:

- supervising the control of risks by our senior management;
- evaluating our risk profile;
- making recommendations regarding our risk management and internal controls, discussing risk management with senior management, and ensuring that management has performed their duties of establishing effective systems;

- conducting research on key investigation results relating to risk management matters and management responses to investigation results;
- reviewing and approving related party transaction filings within the committee's authorized scope as determined by the Board; and
- reviewing related party transactions and submitting transactions to the Board for approval.

Our related party transaction and risk management committee consists of one executive Director (Mr. Lei Tie), one non-executive Director (Mr. Zhang Youda), and three independent non-executive Directors (Mr. Wong Sincere, Ms. Luo Mei and Ms. Tang Xiuli). See "Directors, Supervisors and Senior Management—Board of Directors" for the biographies of the committee members. Mr. Wong Sincere is the director of the committee.

Strategy and Development Committee

Our strategy and development committee is primarily responsible for:

- formulating our operating and management objectives and long-term development strategies; and
- supervising the implementation of our annual operating and investment plans.

Our strategy and development committee consists of two executive Directors (Mr. Li Xin and Mr. Lei Tie), two non-executive Directors (Mr. Li Hui and Ms. Zhang Hongxia) and one independent non-executive Director (Mr. Chen Aiguo). See "Directors, Supervisors and Senior Management—Board of Directors" for the biographies of the committee members. Mr. Li Xin is the director of the committee.

Audit Committee

Our audit committee is primarily responsible for:

- reviewing our accounting policies, financial position, financial reports and risk and compliance conditions;
- proposing the engagement or replacement of external auditing firms;
- supervising our internal audit system and the implementation of this system;
- coordinating internal and external audits; and
- ensuring the truthfulness, accuracy and completeness of our audited financial information.

Our audit committee consists of two non-executive Directors (Ms. Wu Changhong and Mr. Guo Jirong) and three independent non-executive Directors (Ms. Luo Mei, Mr. Chen Aiguo and Ms. Tang Xiuli). All our audit committee members have finance or economics-related backgrounds. See "Directors, Supervisors and Senior Management—Board of Directors" for the biographies of the committee members. Ms. Luo Mei is the director of the committee.

Board of Supervisors and its Special Committee

Our Board of Supervisors oversees our overall risk management by supervising and examining our Board's and senior management's performance of their respective risk management responsibilities and reporting their findings to the Shareholders.

There are special committees relating to risk management such as the supervisory committee and audit committee under our Board of Supervisors, and the Board of Supervisors has established effective mechanisms for communication with such committees.

Supervisory Committee

We have established a supervisory committee under the Board of Supervisors, which is primarily responsible for:

- supervising the Board of Directors in formulating prudent business philosophies and development strategies;
- formulating and coordinating the implementation of internal inspection and special audit plans with respect to our business decision-making, financial activities, risk management and internal controls;
- formulating and coordinating plans for major emergencies and risk events based on the authorization by our Board of Supervisors; and
- communicating with external auditors regarding the preparation of the Board's periodic reports and related material adjustments and reporting to the Board of Supervisors.

Our supervisory committee consists of three external Supervisors (Mr. Dong Ying, Mr. Zhu Xingjie and Mr. Liu Yongchong), and two employee representative Supervisors (Mr. Yang Qian and Mr. Xu Yongfeng). See "Directors, Supervisors and Senior Management—Supervisors" for the biographies of the committee members. Mr. Dong Ying is the director of the committee.

Audit Committee

Our audit committee under the Board of Supervisors is primarily responsible for:

- supervising and inspecting our financial position;
- reviewing our annual, semi-annual and quarterly financial and operating reports; and
- analyzing and evaluating our budget implementation, asset operation and quality, internal controls and the implementation of major investment decisions.

Our audit committee consists of three external Supervisors (Mr. Zhu Xingjie, Mr. Liu Xiaoyu and Mr. Yang Zhenjun) and two employee representative Supervisors (Mr. Yang Qian and Mr. Luo Zhenxia). See "Directors, Supervisors and Senior Management—Supervisors" for the biographies of the committee members. Mr. Zhu Xingjie is the director of the committee.

Senior Management and its Special Committees

Our senior management implements the risk management policies, strategies and plans set by our Board of Directors. It is primarily responsible for:

- establishing a management structure based on comprehensive risk management strategies, delineating risk management responsibilities among various departments, and developing a coordinated checks-and-balances mechanism among departments;
- formulating clear execution and accountability systems for the effective communication and implementation of risk management strategies, preferences and limits;

- formulating and implementing overall risk limits based on our overall risk appetites determined by the Board, based on the relevant industry, region, customer and product;
- formulating and adjusting risk management policies and procedures and conducting periodic evaluations;
- evaluating our overall risk profile and exposure to specific risks and reporting to the Board;
- establishing information management and data quality control systems; and
- monitoring breaches of risk appetite limits or violations of risk management policies and procedures, and taking corresponding measures based on the Board's authorization.

We have established five special committees with risk management responsibilities under our senior management: the risk management and internal control committee, asset preservation and management committee, IT management committee, credit review and approval committee, and assets and liabilities management committee.

Risk Management and Internal Control Committee

Our risk management and internal control committee is primarily responsible for:

- formulating risk management and internal control plans and policies as well as risk evaluations to ensure the effective operation of our risk management and internal control systems;
- formulating risk identification, quantification, assessment, monitoring, control and mitigation measures;
- formulating plans or proposals to evaluate the sufficiency, compliance and effectiveness of risk management and internal control systems;
- overseeing business departments in establishing, improving and implementing internal control systems;
- conducting feasibility studies with respect to risks associated with our major business activities;
- handling material risk events;
- reviewing proposals regarding risk classifications and provisioning for impairments;
- reviewing accountability for incidents of employee non-compliance;
- submitting risk reports to the related party transaction and risk management committee; and
- ensuring the implementation of risk management policies and resolutions of the related party transaction and risk management committee.

Our risk management and internal control committee consists of 22 members, including Mr. Wang Chunyun, our chief risk officer, as director of the committee, Mr. Lei Tie, our vice president, Mr. Qiu Jinhu, our vice president and certain key officers of our major departments. A majority of our risk management and internal control committee members have finance or economics-related backgrounds, and meet on an ad-hoc basis depending on work requirements.

Asset Preservation and Management Committee

Our asset preservation and management committee is primarily responsible for:

- reviewing asset preservation plans and strategies;
- reviewing and approving proposals relating to the collection and disposition of collateral;
- reviewing and approving dispositions of non-credit assets;
- reviewing and approving proposals for the restructuring of non-performing loans;
- reviewing and approving proposals of branches and sub-branches for the write-offs of credit and bad debts;
- reviewing and approving proposals for asset restructurings, mergers and acquisitions and bankruptcies; and
- advising on the protection of creditors' rights and preservation of loan assets, and overseeing the implementation of such advice.

Our asset preservation and management committee consists of 10 members, including Mr. Wang Chunyun, our chief risk officer, as director of the committee, and certain key officers of our financial planning department, risk and credit management department, accounting and operations department, audit department, corporate banking department, legal and compliance department and the financial service center of our retail banking department. A majority of our asset preservation and management committee members have finance or economics-related backgrounds, and meet on an ad-hoc basis according to our operations.

IT Management Committee

Our IT management committee is primarily responsible for:

- formulating our IT strategic objectives and planning;
- supervising our IT-related work and regularly reporting IT strategic plans, IT budget and IT expenditures to the Board and senior management;
- reviewing our annual IT budget, adjusting IT project priorities and coordinating relevant resources;
- considering our IT policies, systems, standards and principles and urging relevant departments to establish an internal IT management system;
- implementing our information safety management decisions and addressing significant information safety incidents; and
- supervising the implementation by IT departments of the IT budget and expenditures, IT strategies, standards and flows, IT internal controls, the operation, maintenance and upgrading of IT systems and infrastructure, information safety management, disaster recovery planning as well as IT outsourcing.

Our IT management committee consists of 21 members, including Mr. Li Xin, our chairman of the Board, as director of the committee, Mr. Lei Tie, our vice president, Mr. Qiu Jinhu, our vice president, Mr. Wang Chunyun, our chief risk officer and certain key officers of our major departments. Our IT management committee members meet on an ad hoc basis according to our operations.

Credit Review and Approval Committee

Our credit review and approval committee is primarily responsible for:

- independently performing review and approval duties on matters relating to our credit business on the basis of the reporting entity's due diligence report and credit business review analysis opinion; and
- assessing and reviewing the feasibilities and risks regarding the technology, market and finance relating to our credit business, paying attention to various factors that may affect credit safety, effectively identifying various risks, and generating review and approval opinions after a comprehensive appraisal of revenue and risks.

Our credit review and approval committee consists of 8 members, including Mr. Wang Chunyun, our chief risk officer, as director of the committee, and certain key officers of our risk and credit management department and legal and compliance department. A majority of our credit review and approval committee members have finance or economics-related backgrounds, and meet on an ad hoc basis according to our operations.

Assets and Liabilities Management Committee

Our assets and liabilities management committee is primarily responsible for determining our asset and liability management policies, to help ensure that we maintain reasonable capital adequacy ratios and liquidity and realize our desired operating results under the changing economic environment and financial markets.

Our assets and liabilities management committee consists of 18 members, including Mr. Lei Tie, our vice president, as director of the committee, Mr. Qiu Jinhu, our vice president, Mr. Wang Chunyun, our chief risk officer and certain key officers of our major departments. A majority of our assets and liabilities management committee members have finance or economics-related backgrounds, and meet on an ad hoc basis according to our operations.

Risk Management Departments at Head Office

Risk and Credit Management Department

Our risk and credit management department at the head office leads and coordinates our bank-wide risk management efforts. It is primarily responsible for:

- formulating and coordinating the implementation of bank-wide risk management plans and policies;
- leading, formulating, enhancing and overseeing the implementation of our risk management policies and systems;
- formulating, improving and overseeing the implementation of our authorization management system;
- leading the management of risk limits, and formulating and overseeing the implementation of annual risk limit proposals;
- monitoring, quantifying and analyzing our credit risks, market risks and operational risks, and reporting to our risk management and internal control committee on a timely basis;

- leading the development, maintenance and management of information technology systems relating to risk management;
- leading the formulation and implementation of our asset risk classification policy, managing asset risk classifications, and leading asset quality control efforts and stress tests;
- leading the development of our internal customer rating system and framework;
- formulating and improving risk mitigation mechanisms;
- leading the implementation of new capital measures;
- reviewing the credit business beyond the authorization of business departments (such as the financial market department and investment banking department), branches and sub-branches;
- formulating our credit guidance policy, and conducting credit business research and market investigations;
- formulating and implementing our asset preservation system;
- preparing and implementing the collection plan for non-performing assets, and evaluating the restructuring of businesses with non-performing assets and write-offs of non-performing assets; and
- managing the work of chief risk officers appointed by the head office as well as the risk asset monitoring and management center of our branches and sub-branches.

We have established 14 risk assets monitoring and management centers under the risk and credit management department of the head office. They are primarily responsible for:

- reviewing and approving loan disbursements relating to our credit business, establishing archive management systems, as well as formulating relevant policies and overseeing their implementation;
- ensuring the completion of guarantee procedures and satisfaction of prerequisites by the credit business, investment banking business and wealth management business of various business departments of our head office and sub-branches in cities where these business departments are located; and
- reviewing and approving related fund payments, post-disbursement monitoring and archive management.

Corporate Banking Department

Our corporate banking department is primarily responsible for:

- leading pre-loan investigations and ad hoc inspections on our corporate loan business, and supervising the implementation of remedial measures;
- cooperating with the risk and credit management department to guide branches and sub-branches in monitoring risks associated with medium and large customers and agricultural businesses;
- assisting the risk management department in formulating risk management and credit policies relating to corporate loans; and

- leading and coordinating post-loan monitoring and quality inspection of corporate customers' assets and collateral.

Financial Service Center of the Retail Banking Department

Our financial service center of the retail banking department is primarily responsible for:

- verifying the quality of assets of our small and micro enterprise and retail banking businesses;
- identifying, quantifying, monitoring and controlling credit risks and operational risks associated with our small and micro enterprise and retail banking businesses; and
- conducting post-disbursement inspections of loans granted to small and micro enterprises and retail customers.

Personal Banking Department

Our personal banking department is primarily responsible for:

- establishing rules and systems for risk management as well as internal control and management related to personal banking;
- leading the inspection and implementation of risk compliance procedures for personal banking lines; and
- supporting the supervision and inspection by internal and external auditors of the risk and internal control management of personal banking.

Investment Banking Department

Our investment banking department is primarily responsible for:

- establishing and improving the management system and operating flow of our investment banking businesses;
- designing and managing investments in our wealth management products;
- formulating and implementing rules and systems for risk management, internal controls and management related to our investment banking business;
- carrying out comprehensive compliance reviews and making prudent decisions with respect to investments; and
- operating and managing relevant investment banking businesses.

Financial Market Department

Our financial market department is primarily responsible for:

- formulating rules, policies and operational procedures for our financial markets businesses; and
- managing risks relating to our financial markets businesses based on our head office's credit policies and authorization limits.

International Business Department

Our international business department is primarily responsible for:

- formulating rules, policies and operational procedures for our international businesses;
- adjusting our business systems and standards based on the latest domestic and overseas policies; and
- preventing exchange rate risks through real-time closing of positions.

Internet Finance Department

Our internet finance department is primarily responsible for:

- monitoring risks associated with our internet finance businesses; and
- assisting our risk and credit management department in implementing the risk management system and procedures for our internet finance businesses.

Financial Planning Department

Our financial planning department manages our liquidity risks. It is primarily responsible for:

- formulating our liquidity risk management policies;
- identifying, quantifying and monitoring liquidity risks;
- formulating contingency mechanisms regarding medium and long-term liquidity risks;
- conducting stress tests and issuing alerts with respect to liquidity risks;
- conducting liquidity-related emergency drills on a periodic basis; and
- initiating liquidity risk contingency mechanisms upon the occurrence of events or circumstances triggered by liquidity risk.

Accounting and Operations Department

Our accounting and operations department is primarily responsible for:

- establishing internal control rules and systems for businesses such as corporate settlements, accounting and collections;
- leading the supervision and inspection of businesses such as corporate settlements, accounting and collections;
- cooperating with other departments to oversee the compliance, validity and completeness of over-the-counter operations;
- cooperating with other departments to conduct inspections on operational risks associated with over-the-counter operations of our branches and sub-branches; and
- managing anti-money laundering activities and credit references.

General Office

Our general office is primarily responsible for:

- formulating proposals for handling reputational risk events;

- monitoring, analyzing, managing and reporting reputational risk events;
- issuing timely risk alerts and reminders regarding reputational risk events;
- assisting our Board of Directors with respect to information disclosure; and
- conducting performance appraisals and training with respect to reputational risk management.

Information Technology Department

Our information technology department is primarily responsible for:

- formulating and implementing IT strategic plans and disaster recovery plans;
- developing and optimizing information technology projects;
- managing and maintaining the operations of our IT system and related equipment, facilities and environment;
- formulating and updating IT risk management procedures, systems and frameworks; and
- organizing training for employees with respect to information safety and IT risks.

Legal and Compliance Department

Our legal and compliance department is primarily responsible for:

- establishing a legal and compliance risk management framework and formulating related procedures and systems;
- reviewing rules and procedures formulated by our departments to help ensure compliance with applicable laws and regulations;
- reviewing compliance issues related to new products and businesses;
- managing legal and compliance risks associated with intellectual property and litigation;
- coordinating the implementation of remedial measures for issues identified by internal and external audits or by regulatory authorities;
- leading the compliance, supervision and inspection regarding our observance of national laws, regulations and rules, as well as company regulations;
- leading the management of related party transactions and internal transactions; and
- establishing and enhancing a case prevention management system.

Audit Department

Our audit department is primarily responsible for:

- performing audits on our business and financial activities;
- conducting economic accountability audits on our departing (current) operation managers;
- conducting audits on IT risks;
- evaluating internal controls;
- following up on post-audit rectifications; and

- reporting audit findings to the Board, Board of Supervisors and respective audit committees to alert them of risks associated with our operations.

Risk Management of Branches, Sub-branches and Jingning Chengji Rural Bank

We have established a centralized and vertical risk management structure. Each of our branches and sub-branches has established its own risk management department and positions. We have also appointed risk officers for our larger branches, such as the business department of our head office, Pingliang branch, Baiyin branch and Qingyang branch. Set forth below are the responsibilities of the risk management departments and positions at our head office, branches and sub-branches.

Head office	• formulates our overall risk management policies, covering credit authorizations and policies, credit reviews and approvals, management of non-performing assets and review and approval of loan disbursements; • reviews and approves the credit business by branches and sub-branches; and • guides branches and sub-branches in formulating credit policies based on their scale of business, target customers and local economic conditions.
Branches and sub-branches	• implements the risk management policies of our head office; • monitors, stays alert of and supervises the risks associated with our business activities; and • reports major risk events to the management of the branch or sub-branch and the risk management department of our head office.

As a separate legal entity regulated by the CBRC, Jingning Chengji Rural Bank maintains its own risk management and internal control systems. We participate in formulating the risk management policies and strategies of Jingning Chengji Rural Bank through our board representatives.

In addition, we have established a risk and credit management department at our Pingliang branch, which reports annually, quarterly or from time-to-time to the risk and credit management department of the head office on different kinds of risks, and oversees the risk management by Jingning Chengji Rural Bank. Our audit department performs audits of Jingning Chengji Rural Bank on an ad hoc basis.

CREDIT RISK MANAGEMENT

Credit risk is the risk of loss due to (i) failure by a debtor or counterparty to meet its contractual obligations or (ii) a decrease in credit ratings or repayment ability. Our credit risks arise mainly from loans, investments, guarantees, commitments and other on- or off-balance-sheet credit risks exposures.

We determine the direction and amount of credit extended each year based on national and regional economic development plans, market conditions and macroeconomic control measures. We also consider our asset and liability structure and trends in deposit and loan growth. We formulate annual credit policy guidelines to provide detailed guidance for extending credit to different industries, customer types and geographic regions.

In accordance with these guidelines, extension of credit in areas more susceptible to changes in macroeconomic conditions and regulatory policies (such as local government financing platforms, as well as borrowers in the real estate sector or industries involving high-pollution, high-power consumption and over-capacity) must comply with all regulatory requirements. We also encourage the extension of credit to emerging sectors, such as modern services, new urbanization construction and internet commerce, in accordance with national policy directives. In addition, we may issue notices of adjustments to credit policy guidelines in response to changes in government policies, the economic environment and our risk preferences.

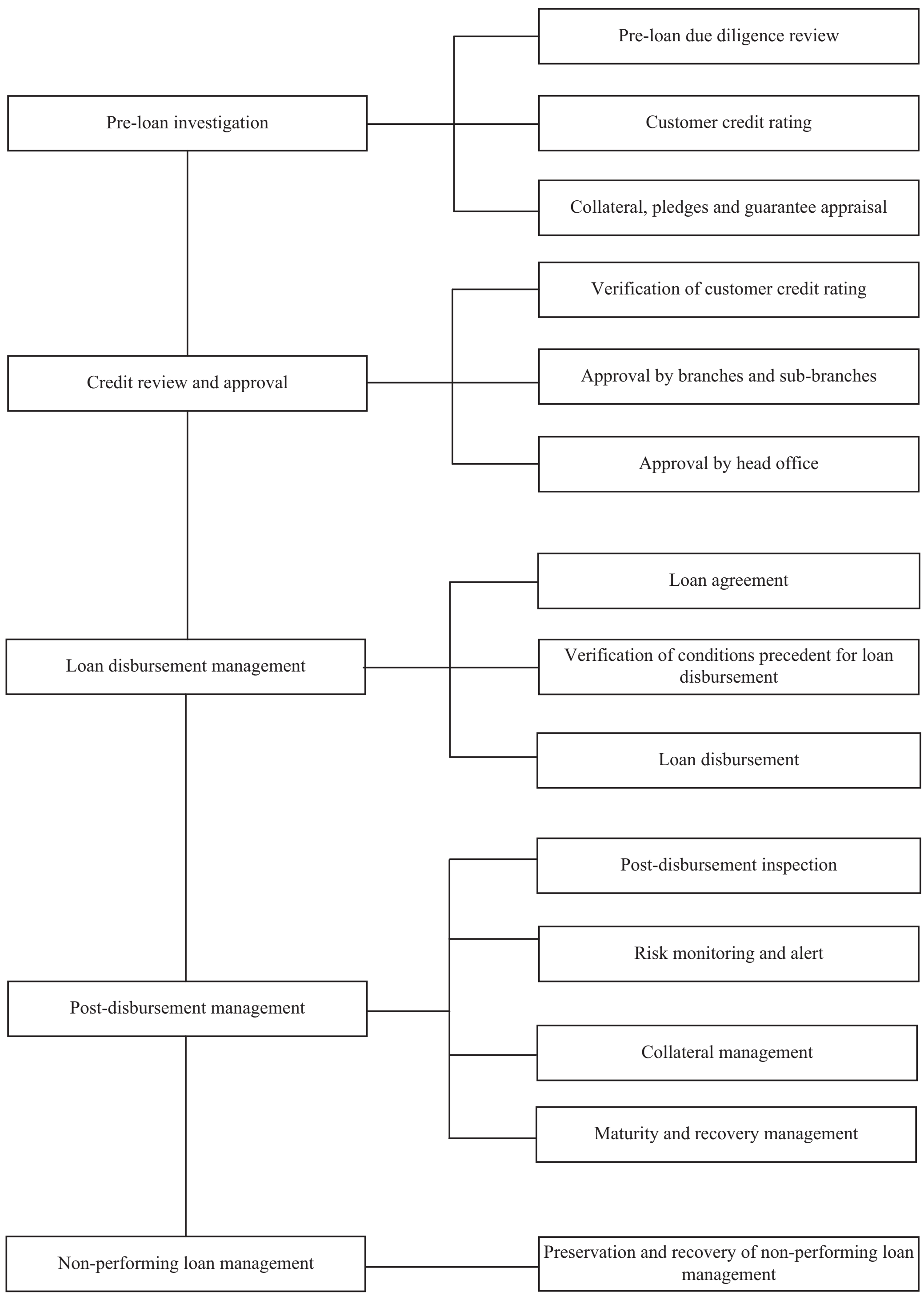
We categorize the industries in which a loan applicant operates into the following four categories and adopt a different credit policy for each industry category.

Industries	Credit Policies
Modern agriculture, tourism, education and health care industries ("active support" industries)	• prioritize credit allocation and increase credit exposure to borrowers in these industries.
IT, utility, warehouse and logistics, culture-related and pharmaceutical industries ("moderate support' industries)	• selectively distribute credit to borrowers in these industries.
Real estate, construction, metal ores mining, iron and steel, and wholesale and retail industries ("caution" industries)	• focus on preventing risks by granting loans to high-quality customers and adjusting the proportion of loans to borrowers in these industries.
Steel trading, coal trading, over -capacity and commodity trading industries ("exit" industries)	• focus on minimizing risks by moderately reducing the amount of new loans to borrowers in these industries by no less than 20%, and enhancing the implementation of post-disbursement management measures.

We have also adopted detailed credit policies for small and micro enterprise loans and retail loans based on the type of product, customer group and investment field. We generally update these policies on an annual basis.

Credit Risk Management of Corporate Loans

We manage credit risks related to our corporate loans through five procedures, including pre-loan investigation, credit review and approval, loan disbursement management, post-disbursement management, and non-performing loan management. The following chart shows our credit risk management procedures for corporate loans:



Pre-loan Investigation

Pre-loan Due Diligence Review

We require two account managers to conduct on-site inspections and review the basic corporate credit information of a loan applicant with a focus on his or her background and ability and willingness to repay. The account managers will then prepare a pre-loan investigation report that contains a potential borrower's basic conditions, operating analysis, financial analysis, credit reference analysis, credit reasonability analysis, guarantee appraisal and credit risk appraisal.

Customer Credit Rating

Account managers provide a preliminary credit rating for a loan applicant based on the pre-loan investigation report and loan application materials in accordance with a ten-grade credit-rating system. We rate our corporate customers from AAA to D based on various factors, such as a customer's creditworthiness, experience and qualification of senior management, competitiveness, growth prospects and repayment ability.

Credit rating staff review and approve account managers' preliminary ratings within their authorized scope. Credit rating departments at our branches and sub-branches are authorized to approve grade A or below ratings for medium and large corporate customers, and all ratings for small and micro enterprises.

Ratings of grade AA or above for medium and large corporate customers must be approved by the risk and credit management department at our head office. We also have a team of four rating officers at our head office. They may review the rating separately if they have reasonable doubts regarding rating results. Authorized officers at our head office or branches must approve any changes in a potential borrower's rating.

We generally re-rate each corporate borrower on an annual basis, and may also adjust a corporate borrower's credit rating following any significant change in a corporate borrower's financial condition or operations, or upon the occurrence of any events that may materially affect his or her repayment ability.

Collateral, Pledges and Guarantee Appraisal

Most of our corporate loans are secured by collateral, pledges or third-party guarantees. We have formulated internal policies setting forth the types of acceptable and non-acceptable collateral, the procedure for appointing appraisers and the maximum loan-to-value ratios for different types of collateral.

We require borrowers to provide detailed information and supporting documents regarding the collateral, including:

- name, quantity, quality and location of the collateral and pledges;
- ownership certificate, valuation report and other relevant documents regarding the collateral;
- organizational documents, financial statements, tax certificates and the necessary shareholders' resolutions or board resolutions of corporate mortgagors or pledgers;

- identification documents of individual mortgagors or pledgers and their co-owners; and
- signed declarations regarding the mortgages or pledges.

Secured loan amounts may not exceed maximum loan-to-value ratio limits. We determine the loan-to-value ratio based on credit risks related to loans, as well as the value, depreciation and price fluctuations of the collateral. Loan-to-value ratio limits for corporate loans secured by major types of collateral are set forth below:

Collateral	Loan-to-Value Ratio
Mortgages	
Residential properties	≤ 70%
Commercial properties and office properties	≤ 60%
Land use rights and properties in construction	≤ 60%
Resources assets	≤ 50%
Pledges	
Bills	≤100%
Cash and cash equivalents	≤ 95%
Bonds	≤ 90%
Wealth management products	≤ 90%
Precious metals	≤ 80%
Account receivables	≤ 70%
Insurance policy	≤ 70%
Stocks/funds	≤ 60%
Transportation equipment	≤ 60%
Rural land contractual management rights	≤ 60%
Forest rights	≤ 50%
Livestock	≤ 50%
Machines and engineering machinery	≤ 50%
Specified rights	≤ 50%

In addition to internally appraising the value of collateral on a quarterly basis, we engage independent third party professional appraisal institutions to appraise the collateral annually. We also conduct internal or third-party reappraisals of the collateral upon the occurrence of significant risk incidents that could materially affect the value of the collateral or a borrower's repayment ability. These major risk incidents include but are not limited to:

- significant decrease in the market price of the collateral;
- deterioration of the borrower's financial condition;
- occurrence of credit default incident to the borrower; and
- reduction to non-performing loan under the five types of loan classification.

We require our branches and sub-branches to randomly select third-party appraisal institutions from an approved list based on appraisal results unless otherwise approved by the Bank. The corporate banking department, with the advice of our risk and credit management department, evaluates third-party appraisal institutions on an annual basis and may remove unqualified appraisal institutions from our approved list.

For guaranteed loans, we evaluate guarantors using the same procedures and standards applicable to borrowers. We also evaluate a guarantor's ability to provide a guarantee and its contingent liabilities and economic relationship with the applicant. Generally, we prefer to accept guarantees from guarantors that can provide sufficient and valid collateral.

We may also accept unsecured guarantees by listed companies or guarantee companies. We evaluate the value and quality of collateral and pledges provided by borrowers to the guarantee companies before accepting guarantees from the guarantee companies.

Credit Review and Approval

We have adopted multi-level credit reviews and approvals. The credit review and approval departments or business departments of our branches and sub-branches may directly approve credit within authorized limits. To extend credit beyond authorized limits, they should evaluate and submit evaluation opinions to the risk and credit management department of the head office for approval. The authorized reviewers or credit review and approval committee of the head office will then review and approve the credit.

The head office has established three types of credit review and approval modes: single review and approval, review and approval by two persons, and review and approval by the credit review and approval committee. A single review and approval is suitable for low-risk businesses specified by the head office. Review and approval by two persons is primarily suitable for:

- loan renewal with risks not expanded;
- entrusted loans of the Group or related parties, for which the Bank essentially assumes no risk;
- mortgage loans for buildings relating to real estate development projects, to which the Bank has provided credit support; and
- personal credit guaranteed with non-credit method.

The approval by the credit review and approval committee is primarily suitable for:

- credit businesses in different cities;
- loans for real estate development projects; or
- corporate credit or loan businesses such as the credit businesses of financial institutions (including banks, securities companies, fund and futures companies).

Loan Disbursement Management

Loan Agreement

Once a corporate loan application is approved, we usually enter into a standard loan agreement and related ancillary agreements with the borrower, guarantor and pledger. The loan agreement generally includes provisions regarding the loan amount, maturity, interest rate, use of proceeds, repayment method and realization of collateral. Our legal and compliance department must approve deviations from the standard form.

Verification of Conditions Precedent for Loan Disbursement

Our disbursement reviewers review all disbursement-related documents, including the loan agreement, ancillary agreements, evaluation reports, requisite corporate documents and other relevant materials to confirm that conditions for disbursement have been satisfied. Our account managers handle related procedures for certain disbursements, such as the registration of collateral and purchase of collateral insurance.

Loan Disbursement

Our monitoring and management center of risky assets reviews a borrower's credit distribution application materials in our credit management system to ensure they are complete. This center also complies with applicable laws and regulations before disbursing funds to the borrower in accordance with our accounting procedures.

Post-disbursement Management

Our post-disbursement management consists of post-disbursement inspection, risk monitoring and alerts, collateral and pledge management, maturity and collection management and loan classifications.

Post-disbursement Inspection

We conduct initial inspections on a loan focusing on the use of the loan proceeds within 10 days after the loan is granted.

We conduct on- or off-site inspections at least quarterly on non-low-risk corporate loans; at least once prior to maturity on low-risk corporate loans; and at least monthly on overdue loans and advances and loans with overdue interest. These inspections focus on monitoring the use of loan proceeds as well as on the general condition, financial position, operations and management of the borrower and guarantor, the condition of collateral and guarantees and financing from other banks.

We may also conduct special inspections on the borrower or guarantor of a loan when our credit risk big data alert system generates a risk alert with respect to the loan. We established the system in October 2016 utilizing analysis of our internal data, the data in PBoC Credit Reference System, and data from third-party sources, such as the internet and media.

We may require borrowers to enhance credit by increasing or replacing collateral or making early repayment if our post-disbursement inspections identify any material issues, such as a material adverse change in a borrower's financial condition, misappropriation of loan proceeds or significant impairment of collateral.

Risk Monitoring and Alert

To detect and mitigate credit risks at an early stage, we have formulated uniform and dynamic risk alert measures and established risk alert mechanisms for certain credit customers. We monitor multiple indicators with respect to a borrower or guarantor, such as its major shareholders, senior management, operating environment, financial condition, status of guarantee and repayment ability. Our corporate banking department collects risk information with respect to a borrower and guarantor from multiple sources, including from borrowers and guarantors, regulatory bodies, industry reports, research and analysis reports, consulting firms and the media.

We classify credit risk alerts into four levels: general risk (blue warning), medium risk (yellow warning), relatively high risk (orange warning) and high risk (red warning). Upon receipt of a risk alert, our account managers at various branches and sub-branches will immediately verify the truthfulness of the risk alert and prepare a response plan that contains the source of the risk, measures to be taken and predicted mitigation time. We then report the risk to the credit management department of the head office or branches or sub-branches to take effective risk mitigation or monitoring measures.

Collateral Management

We have formulated comprehensive collateral and guarantee management measures to manage changes in collateral rights and to monitor, re-evaluate, release and dispose of collateral. We issue timely alerts regarding collateral-related risk events. We may replace or request additional collateral or guarantees when we detect a decrease in a guarantor's repayment ability or factors that may materially affect a guarantor's repayment ability.

Maturity and Recovery Management

Our account managers should remind borrowers to make timely repayment of outstanding loans through telephone interviews, on-site visits or written notices within ten days before the maturity dates of short-term loans and within one month before maturity dates of medium- and long-term loans. Our risk and credit management department or risk assets monitoring and management center provides the corporate banking department with a list of loans due the following month, urges account managers to assess the probability of timely repayment and formulates maturity arrangement plans with respect to these loans.

For overdue loans or loans with overdue interest, our account managers issue overdue notices to the borrowers and guarantors within two business days after the loans or interests become overdue. They also visit borrowers and guarantors to collect payments and serve collection notices within ten business days after the loans or interests become overdue.

Our credit risk big data alert system generates risk alerts in respect of overdue loans on the 30^{th}, 60^{th} and 90^{th} day after a loan becomes overdue, and reminds our account managers to enhance collection efforts and adjust collection plans with respect to the loan based on the circumstances.

Loan Classification

Based on CBRC regulations, we classify corporate loans into normal loans, special-mention loans, substandard loans, doubtful loans and loss loans. We consider loans in the substandard, doubtful and loss categories to be non-performing loans.

The factors we consider when classifying corporate loans include a borrower's repayment ability and willingness to pay, guarantees, collateral and the length of any payment defaults. Our risk and credit management department adjusts loan classifications on a monthly basis. We report our loan classification data to the CBRC on a monthly basis.

Non-performing Loan Management

We proactively manage non-performing loans and reduce credit risk through repayment requests, cash collections and the following methods:

- *Debt restructuring.* Based on a debtor's repayment ability, we may restructure debt by modifying certain loan terms, such as extending the maturity, replacing the debtor and changing the collateral or guarantors. If a new debtor assumes the debt, we generally require the new debtor to have more stable cash flow and stronger risk bearing ability than the existing debtor.

  To change the collateral or guarantor, we generally require the new collateral to have more liquidity capacity than the existing collateral, and require the new guarantor to have stronger repayment ability than the existing guarantor. All debt restructurings must be approved by the asset preservation management committee within their authorized scope, and in accordance with the credit review and approval procedures. We strictly follow these procedures and carefully control new credit extension in debt restructurings.

- *Legal proceedings.* We may initiate legal proceedings or arbitration, or apply for the attachment of property or compulsory execution of orders to collect debts.
- *Assignment of the creditor's rights.* We may partially or fully assign our creditor's rights to third parties in connection with non-performing assets. Before the assignment of the creditor's rights, we are required to conduct a due diligence investigation on the operation, repayment ability and collateral status of the debtor. We also appoint a professional asset appraisal company that meets our qualification requirements to evaluate the base price of the assets to be transferred. We usually assign our creditor's rights for non-performing loans by (i) tender, (ii) bidding and (iii) public auction, according to the regulations of the MOF and the CBRC.
- *Payment in kind.* We may accept debtor's repayment in kind, such as ownership or other rights in connection with land and real property, if the debtor is unable to pay debts at maturity in cash.
- *Debt reduction or waiver.* We may reduce or waive the debtor's obligation to repay principal or interest if (i) the debtor and guarantor are unable to fully repay loans in a timely manner after direct collection demands, demands by other third parties and other collection procedures; and (ii) the debt reduction or waiver may maximize the creditor's rights. The authorized department of our head office must approve the reduction or waiver of debt.
- *Write-off.* We may also write off qualified non-performing loans after reviewing according to the requirements of the MOF, and make tax adjustments according to MOF rules.

Credit Risk Management for Loans to Local Government Financing Vehicles

We strictly control loans to local government financing vehicles in accordance with applicable regulatory policies. The specific measures are as follows:

- We primarily extend credit to government institutional customers that are contractors to governmental construction projects located in regions where the local governments are in a strong financial position:
  - We prioritize our support to government institutional customers at the Gansu Government, the Lanzhou municipal government and local governments in Lanzhou;
  - We support with caution government institution customers in the top 100 counties in China in terms of economic development and in the counties directly governed by provincial governments; and
  - We support with caution customers in other urban areas or counties after evaluating their financial strength.
- We prioritize our support to significant construction projects, such as large-scale infrastructure construction projects and public service projects with stable demand, consistent cash flows, flexible pricing mechanisms and high marketization.
- We prefer projects that use land and buildings as collateral or third party guarantees in our financing plans. For projects that rely on governmental purchases or governmental

spending, we require that those financing projects possess all required approvals and that the government provide financing in their budgets.

- We encourage the use of public-private partnerships, industrial funding or interbank channels to provide financing. We require the use of proceeds, maturity periods and payment methods to comply with applicable regulations.

We closely monitor regulatory policies in relation to local government financing vehicles and proactively adjust our internal risk management policies accordingly. We monitor the status of underlying projects and the cash flows generated by such projects, and analyze statistics relating to the extension of credit to local government financing vehicles.

The CBRC requires all PRC banks to classify loans to local government financing vehicles based on the cash flow coverage ratio, which is a borrower's cash flow divided by its loan principal and interest payable.

As of December 31, 2014, 2015, 2016 and June 30, 2017, loans to local government financing vehicles amounted to nil, RMB2,100.0 million, RMB1,979.1 million and RMB999.1 million, accounting for 0.0%, 2.5%, 2.0% and 1.1%, of our total corporate loans, respectively. None of our loans to local government financing vehicles was classified as non-performing loans as of the same dates.

As of June 30, 2017, of our loans to local government financing vehicles, RMB600.0 million was to borrowers in the real estate industry, RMB330.0 million was to borrowers in the construction industry, RMB7.0 million was to borrowers in the public administration, social security and social organization industry, and RMB63.0 million was to borrowers in the water conservation, environment and public facility management industry.

Credit Risk Management for Loans to Real Estate Industry

Credit risks of loans to the real estate industry arise from property development loans to real estate developers. We manage risks relating to these loans primarily through the following measures:

- extending loans only to real estate developers on our approved list;
- carefully screening and evaluating real estate developers based on their track record, experience and financial strength;
- prioritizing lending to well-known national real estate developers and leading regional real estate developers in Lanzhou; extending loans to real estate developers in other cities with a similar financial position or similar commercial residential buildings under construction; and strictly controlling new loans to real estate projects in county areas;
- prioritizing lending to residential real estate projects in Lanzhou, and cautiously extending loans to commercial property projects such as shopping malls, hotels and office building in core areas, and fixing strict criteria, such as operating periods and occupancy rates, with respect to loans for commercial property projects; and
- prohibiting lending to (i) properties lacking the necessary certificates or licenses, (ii) completed properties for which there is delay in applying for ownership certificates or mortgage registrations, (iii) projects under construction that progress slowly or end up unfinished, (iv) slow-selling projects that suddenly experience surges in sales, or

(v) projects sold at prices much higher than those of comparable properties in nearby areas.

As of December 31, 2014, 2015, 2016 and June 30, 2017, loans to the real estate industry amounted to RMB4,331.5 million, RMB8,055.7 million, RMB8,819.3 million and RMB9,804.9 million, respectively, accounting for 8.9%, 11.1%, 10.3% and 10.9% of our total corporate loans, respectively. As of December 31, 2014, 2015, 2016 and June 30, 2017, 0.00%, 0.00%, 0.14% and 0.02% of loans to the real estate industry were classified as non-performing loans, respectively.

Credit Risk Management for Loans to Industries with Overcapacity

We seek to reduce risk exposure to industries with overcapacity under relevant government policies. Our measures to manage risks associated with loans to industries with overcapacity primarily include :

- prohibiting lending to entities or projects that fail to meet industry policies or market access criteria;
- setting limits on loans to steel, coal and other industries with overcapacity, and only extending new loans to industry leaders that have significant competitive advantage, comply with industry policies and environmental protection standards, and use industry-leading technologies; and
- closely monitoring borrowers in industries with overcapacity, and requesting early repayment of a loan when a borrower breaches any material covenants or undertakings in the loan agreement.

As of December 31, 2014, 2015, 2016 and June 30, 2017, loans to borrowers in industries with over-capacity amounted to RMB2,198.6 million, RMB2,959.8 million, RMB4,534.7 million and RMB3,747.5 million, respectively, accounting for 4.1%, 3.5%, 4.5% and 3.5% of our total corporate loans, respectively. As of December 31, 2014, 2015, 2016 and June 30, 2017, 0.0%, 12.3%, 1.1% and 1.3% of loans to borrowers in industries with over-capacity were classified as non-performing loans, respectively.

Credit Concentration Management

We have adopted the following measures to control credit concentration risks:

- imposing limits on the extension of credit to corporate borrowers, and aggregating lending to borrowers within the same group in determining whether relevant limits are exceeded;
- adjusting credit limits based on national and local laws and regulations and our credit policies; and
- actively expanding into other cities in Gansu to reduce concentration risk of credit exposure to Lanzhou.

Credit Risk Management for Retail Loans

Our credit risk management procedures for retail loans include pre-loan investigation, credit review and approval, loan disbursement management and post-disbursement management.

Pre-loan Investigation

We require retail loan applicants to provide all requested information in their loan applications, including the intended use of loan proceeds, sources of income, bank account and type of guarantee. An applicant must also provide supporting documents for his or her loan application, such as personal identification card and proof of income.

Authorized account managers at the relevant branch or sub-branch conduct a preliminary review of a loan application and then report to the responsible person of the department. Upon completion of the preliminary review of a loan application, account managers will verify the credit history of a borrower based on its loan and credit card repayment record and credit references. Account managers are responsible for verifying information provided by a loan applicant, collecting supporting documents and meeting with applicants.

Account managers will evaluate a borrower's credit condition from multiple sources, such as the personal credit database of the PBoC, local tax authorities and the borrower's employer. We also generally require a third-party appraisal of the collateral and pledges (except for certificates of deposit and wealth management products). The account managers conduct quantitative and qualitative evaluations of the risks associated with a loan, prepare a pre-loan investigation report and submit the application materials to reviewers.

Credit Review and Approval

Retail loan reviewers review the completeness of the application materials and the pre-loan investigation report. They assess the credit risks associated with a loan based on a number of factors, including the loan applicant's income, creditworthiness, marital status, net worth, source of funding for repayment, value of collateral and the intended use of loan proceeds. Applications for large loans or loans involving high risks are reviewed and approved by authorized reviewers at our head office, branches or credit approval committee.

We classify retail customers based on their credit information into five levels. We also further categorize a retail customer as a "high-quality" customer, "caution" customer and "prohibited" customer based on a number of factors, including his or her occupation.

To improve our ability to measure and manage personal credit assets, we have developed a customer credit rating model for personal loans. We use the internal rating results as an important basis for making decisions in our retail loan management process, including customer approvals, credit reviews and approvals, post-disbursement management, risk management and capital allocations.

Loan Disbursement Management

The disbursement procedures for retail loans are similar to those for corporate loans. Once a loan application is approved, the relevant branch or sub-branch enters into a standard retail loan agreement with the borrower and coordinates with the borrower to properly register any collateral for the loan.

Our disbursement reviewers review disbursement-related documents to confirm the satisfaction of the conditions for disbursement. Our risk asset monitoring and management centers at various levels disburse funds according to the loan agreement and our disbursement procedures.

Post-disbursement Management

We conduct periodic post-disbursement inspections on retail borrowers. We strictly control the use of funds by closely monitoring the actual use of funds, tracking and inspecting the funds on a regular basis and keeping close contact with borrowers.

We classify retail loans into "normal loans", "special-mention loans", "substandard loans", "doubtful loans" and "loss loans" in accordance with CBRC's requirements based on a loan's overdue period and type of collateral or guarantee. We consider loans under the categories of "substandard", "doubtful" and "loss" as non-performing loans.

The factors we consider when classifying retail loans include a borrower's ability and willingness to repay, guarantees and collateral and the length of any prior payment defaults. Our risk and credit management department adjusts loan classifications on a monthly basis. We report retail loan classification data to the CBRC on a monthly basis.

For overdue retail loans, we investigate the reason for default by messaging, calling and visiting the borrower or issuing an overdue notice or lawyer's letter to the borrower. When we detect any potential default risks, we may issue risk alerts and increase the frequency of post-disbursement inspections.

If the risks of default significantly increase, we may halt the disbursement of loans or request additional collateral. We may also issue a notice of breach of contract, notice of collection or initiate legal proceedings.

Credit Risk Management for Financial Market Operations

Our financial market operations include money market transactions, investment business and wealth management business.

Credit Risk Management for Money Market Transactions

Our money market transactions primarily include (i) interbank deposits, (ii) interbank placements, and (iii) repurchase and reverse repurchase transactions. Our financial market department is responsible for managing and reporting credit limits of inter-bank customers.

The risk and credit management department at our head office leads the review and approval of credit limits granted to inter-bank customers and adjusts credit limits based on a customer's operating conditions. To timely respond to risk event alerts, we closely monitor changes in the operations of the actual bearers of credit risks and any external factors that could affect their ability to honor contractual obligations.

Credit Risk Management for Standard Investments and Non-Standard Credit Assets

We primarily invest in (i) standard investments such as debt securities issued by the PRC government, PRC policy banks, PRC commercial banks and other financial institutions and corporate issuers, and public funds managed by fund companies, and (ii) non-standard credit assets, such as trust plans, asset management plans, wealth management products.

We have adopted the following risk management measures with respect to each type of investment:

Standard Assets Investments

- *Debt Securities Investments*. We have formulated strict counterparty selection criteria for our bond investments. We evaluate a bond investment based on various factors, including the bond issuer's industry, qualification, operations and external ratings. We only invest in standard debt financing instruments with corporate or facility credit ratings of AA or above, with a focus on bonds issued by state-owned or state-controlled enterprises.
- *Investment Funds*. Our risk management procedures for investment funds are similar to those for loans. These procedures include pre-investment investigations, investment reviews and approvals, investment management and post-investment management. We also closely monitor fluctuations in the net value of investment funds and factors that may affect the value of assets underlying our investment funds, conduct periodic and ad hoc inspections on investment funds and manage investment withdrawals and losses.

Non-standard Credit Assets Investments

- *Asset Management Plans and Trust Plans*. Our risk management procedures for asset management plans and trust plans investments are similar to those for loans. These procedures include pre-investment investigations, investment reviews and approvals, investment management and post-investment management. Our head office is in charge of the management and monitoring of investment businesses under asset management plans and trust plans. It also closely monitors factors that may affect the quality of assets underlying our asset management plans and trust plans investments, conducts periodic and ad hoc inspections on asset management plans and trust plans investments and manages investment withdrawals and losses.

  We evaluate investments in asset management plans and trust plans investments primarily based on whether: (i) an investment complies with the regulatory requirements; (ii) the counterparties of an investment meet our eligibility criteria; (iii) the expected returns of an investment meet our expectations; and (iv) there exist effective credit enhancement measures.
- *Wealth Management Products Issued by Other PRC Commercial Banks*. We implement strict standards for investment in non-principal-protected wealth management products. To reduce counterparty risks, we evaluate the issuers of wealth management products to ensure they have the qualifications recognized by regulatory authorities.

We manage credit risks related to our non-standard credit assets investments primarily through the following procedures:

- ***Counterparty Screening***. We evaluate the counterparties to our investments with a focus on their business scale, qualifications and credit record to ensure they meet our eligibility criteria.
- ***Due Diligence***. We conduct a due diligence review of the ultimate borrowers underlying the asset management plans, trust plans or wealth management products in which we intend to invest.

- ***Review and Approval***. We centralize the approval authority for investments in non-standard credit assets. Our credit review and approval committee is responsible for reviewing and approving our non-standard credit assets investments.
- ***Classifications***. We classify our non-standard credit assets investments based on the same standards that apply to corporate loans.
- ***Record Keeping***. We require our business departments to maintain complete records for our investments in non-standard credit assets.

Credit Risk Management for the Wealth Management Business

We manage risks associated with the issuance of wealth management products primarily through the following measures:

- establishing a wealth management team under the investment banking department at our head office to centralize the management of the wealth management business and ensure compliance with CBRC requirements regarding segregation of accounts, risk isolation, code of conduct and consistent management;
- conducting evaluations of counterparty's eligibility, pre-investment due diligence investigations, risk assessments and post-investment risk management for wealth management products;
- performing market forecasts and analyses to select appropriate investment targets for wealth management products;
- enhancing the implementation of limits on investments in non-standard assets and for different risk categories;
- enhancing the use and monitoring of risk concentration indicators for wealth management products;
- timely disclosing the relevant information to investors; and
- improving accounting records for wealth management products by classifying principal-protected products as balance sheet items and non-principal-protected products as off - balance sheet items.

Credit Risk Management for our Bill Discounting Business

We have published management measures and procedures for our bill discounting business. The applicable business departments approve bill discounting within the authorized scope set by our head office. We provide discounting of bank acceptance bills and commercial acceptance bills. We manage risks arising from the discounting of bank acceptance bills primarily by verifying the authenticity of the bills and the items recorded on the bills.

We include the discounting of commercial acceptance bills in our credit management, and conduct approval procedures in accordance with our general corporate credit approval authorizations and processes. After obtaining credit approvals, we require two account managers at the originating branch or sub-branch to hold originals of the commercial bills, conduct on-site inspections on corporate customers that request bill discounting and verify the accuracy of the underlying transactions.

We send commercial bills requested to be discounted to the commercial bill office at the originating branch or sub-branch to confirm the accuracy of the commercial bills. The authorized approval department reviews the disbursement applications. Upon review and approval, our back-office settlement department releases the funds to the enterprises.

Before the bills mature, our settlement department dispatches collection instructions to the acceptance bank to collect payments. The risk and credit management department makes risk classifications on commercial acceptance bills based on repayment status.

We only accept bill discounting applications from customers with sound credit records and good business relationships with us. We seek to verify the accuracy of the underlying transactions of discounted bills and focus on matters affecting the repayment abilities of discounting applicants and the acceptance bank.

Credit Risk Management for our Off-Balance-Sheet Business

We strictly review the business backgrounds of off-balance-sheet transactions and verify the authenticity of the related documentation. We also require strict compliance with our internal procedures to ensure that the deposit amounts, margin ratios and guarantee measures meet our requirements.

Credit Risk Management for Related Party Transactions

In order to control risks arising from related party transactions and ensure compliance with relevant laws and regulations, we have specified in our Articles and internal policies the standards for identifying related parties, the review and approval procedures for related party transactions and the reporting and registration requirements for such transactions.

We rigorously enforce these internal procedures throughout our Bank to identify business relationships between related parties and us and maintain centralized monitoring and management of related party transactions. According to our internal policies, none of our related party credit extensions shall involve any conflict of interest. The pricing of related party transactions shall be objective and fair without prejudice to our interests and the interests of our independent Shareholders.

If we extend loans to related parties, interest rates shall be consistent with market rates and loan terms shall not be more favorable than those for independent borrowers of the same type during the same period. We continue to improve our related party credit investigation and review and approval processes to reduce credit risks with respect to our Shareholders and related parties.

Credit Risk Management IT System

We seek to improve our credit risk management with advanced IT systems. We have improved and upgraded the credit management system to analyze customer data. The system consists of a credit evaluation module, a risk management module, a post-disbursement management module, a credit reporting module and an asset preservation module in accordance with our internal policies related to the extension of credit and provision of loans.

Our risk and credit management department collects and reports feedback from our credit business departments to our senior management and IT department. We have set employee authorization limits to ensure data security and prevent employees from using system functions not related to their duties.

Changes in authorization limits for employees at branches must be approved by authorized persons in the risk and credit management department at the relevant branch. Changes in authorization limits for head office employees must be approved by authorized persons in the risk and credit management department at our head office.

We have also developed a credit risk big data alert system that measures credit risk by analyzing data of our credit businesses, data in the PBoC Credit Reference System and data from third-party sources, such as the Internet and media.

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk of failing to liquidate a position in a timely manner or failing to acquire sufficient funds at a reasonable cost to fulfill payment obligations. Factors affecting our liquidity include the term structure of our assets and liabilities and changes to financial industry policies, such as changes in the requirements relating to our statutory deposit reserve ratio. We are exposed to liquidity risk primarily in our lending, trading and investment activities, as well as in the management of our cash flow positions.

The organizational framework of our liquidity risk management focuses on formulating, implementing and supervising the separation of duties in relation to liquidity risk management policies and procedures. As the ultimate decision-making institution for our liquidity risk management, the Board of Directors assumes ultimate responsibility for our liquidity risk management.

Senior management is responsible for liquidity risk management, and our assets and liabilities management committee is responsible for implementing liquidity risk management policies and procedures. Our supervisory committee is responsible for supervising and evaluating the implementation of liquidity risk management by the Board of Directors and senior management. The financial planning department is responsible for our daily liquidity risk management.

The objective of our liquidity risk management is, by establishing timely, reasonable and effective liquidity risk management mechanisms, to identify, measure, monitor and control liquidity risks, meet the liquidity needs of our assets, liabilities and off-balance businesses on a timely basis, and control liquidity risks at an acceptable level to maintain sustained and healthy operations.

According to the Measures for the Management of Liquidity Risks of Commercial Banks (Provisional) (effective as from October 1, 2015) issued by CBRC, we continually improve liquidity risk management, strictly implement regulatory rules, closely monitor liquidity indicators, enhance maturity management of our cash flows, formulate emergency plans and enhance liquidity risk management and stress tests.

We manage liquidity risks with instruments such as position provisioning and monitoring, cash flow analyses, liquidity stress tests, liquidity risk limits and liquidity risk indicators. We have implemented the following measures to achieve these objectives:

- *Optimizing the maturity structure of assets and liabilities.* We provide instructions for business departments to adjust the maturity structure of assets and liabilities by transferring our funds to businesses based on the maturities of these businesses.
- *Maintaining Appropriate Balance Between Credit Business and Bond Investments*. We seek to increase our liquidity by (i) increasing loans to SMEs which have shorter

maturities; (ii) adjusting the distribution of borrowers in certain industries and the maturity of loans; and (iii) increasing investments in bonds with high liquidity.

- *Establishing and Improving Financing Strategies.* Based on a comprehensive assessment of a customer's liquidity sensitivity, financing costs and sources of funds, we prioritize customer savings, adjust the sources of funds through market financing, inter-bank savings and market lending, and enhance the diversification of financing sources and promote financial stability.
- *Monitoring Liquidity Risk Indicators and Conducting Risk Limit Management*. We monitor key indicators of liquidity risks, such as the liquidity coverage ratio, liquidity gap ratio, surplus reserve ratio, savings percentage of top 10 accounts, and the proportion of top 10 inter-bank financing. Our financial planning department analyses liquidity risk indicators and stress test results on a monthly and quarterly basis, and reports the results of these analyses to senior management for adoption of appropriate liquidity risk management measures.
- *Conducting Stress Tests*. We conduct stress test on a quarterly basis to analyze liquidity risks. We may also conduct temporary or special stress tests for particular scenarios during significant market fluctuations or when required by regulators. In addition, our financial planning department conducts liquidity stress tests on a periodic basis, analyses our ability to handle stress events, and evaluates the Bank's liquidity buffer asset profile and financing capability under special circumstances, all with the goal of minimizing liquidity risks.
- *Formulation of Liquidity Emergency Plans*. We formulate liquidity risk emergency plans based on our business scale, attributes, complexity, risk levels, organizational structure and market influence as well as consideration of stress test results.
- *Improving Liquidity Report System*. Our financial market department, international banking department and collection center submit reports to our financial planning department. The financial planning department summarizes these reports which discuss the monitoring of relevant indicators, stress tests, management situations and adjustment suggestions, and then reports to senior management.

MARKET RISK MANAGEMENT

Market risk is the risk of loss in on-balance sheet and off-balance sheet positions arising from fluctuations in market prices. We are exposed to market risks primarily through our banking book and trading book.

Market Risk Management for Banking Book

Interest Rate Risk Management

Interest rate risk is the exposure of our financial condition to adverse movements in interest rates. Our primary source of interest rate risk is the repricing of on- and off-balance sheet assets and liabilities due to mismatches in maturities.

Maturity or repricing date mismatches may cause changes in net interest income due to fluctuations in prevailing interest rates. We are exposed to interest rate risk through our day-to-day lending and deposit-taking activities and our financial market operations.

We place great emphasis on studying the general economic situation and policies, particularly the changes in currency policies. We formulate and adjust interest rates based on studies and forecasts of interest rate trends in financial markets, in order to better control interest rate risks and reduce losses arising from interest rate fluctuations.

We manage the interest rate risk exposure of our RMB-denominated assets and liabilities on our balance sheet primarily by adjusting interest rates and optimizing the maturity profile of our assets and liabilities. We seek to reduce maturity mismatches by adjusting repricing frequency and establishing a pricing structure for corporate deposits.

We use various measures to evaluate interest rate risks arising from our banking book, including but not limited to techniques and measures such as duration analysis, sensitivity analysis, scenario analysis and stress tests, to measure our interest rate risk. For example, we regularly conduct sensitivity analysis and duration analysis on our bond business under different circumstances, to measure the potential effects on our profitability. Under unfavorable external conditions, we will also conduct special stress tests analyses on the interest rate benchmark on loans and deposits. Based on such analyses, we may adjust our terms on repricing to control interest rate risk.

Exchange Rate Risk Management

We are exposed to exchange rate risks primarily due to mismatches in the currency denominations of on- and off-balance sheet assets and liabilities and in the trading positions of foreign exchange transactions. We manage exchange rate risks by matching the sources and uses of funds.

We seek to keep the adverse impact of exchange rate fluctuations within an acceptable range by managing risk exposure limits and the currency structure of our assets and liabilities. In addition, we endeavor to reduce the number of transactions involving high exchange rate risks, monitor major indicators, and inspect the positions of major foreign currencies on a daily basis.

Market Risk Management for Trading Book

Market risk in our trading book arises from fluctuations in the value of financial instruments due to changes in interest and exchange rates. We employ a number of risk management techniques to monitor and control market risks in our financial market operations. We monitor open positions, stop-loss limits and value-at-risk of our trading book on a daily basis. When the market value of the net position of our trading book declines to below 90% of the corresponding costs, our financial market department will formulate stop-loss strategies covering interest rate movements, reasons for stop-losses, transaction sizes and expected losses, and will report such strategies to authorized personnel for consideration.

We analyze our potential market risks through various methods, including duration analysis, sensibility analysis, scenario analysis and value-at-risk analysis. We also conduct sensitivity tests on a quarterly basis to evaluate the impact on our net capital resulting from an assumed 200 basis point increase in market interest rates.

OPERATIONAL RISK MANAGEMENT

Operational risk refers to the risk of loss caused by incomplete internal control procedures, failures of employees and IT systems or external events. Operational risk events include internal and external fraud, safety accidents in the workplace, damage to tangible assets, failures of risk, implementation, settlement and procedure management systems relating to customers, products and operations, as well as errors or malfunctions in IT systems.

Our Board of Directors is ultimately responsible for ensuring the effectiveness of our operational risk management. It determines our operational risk appetite based on our overall business strategies, and reviews and oversees the implementation of operational risk strategies and policies.

Our senior management is responsible for coordinating operational risk management through its risk management and internal control committee. The risk management and internal control committee is responsible for:

- reviewing and supervising the implementation of operational risk management policies, procedures and operational flows;
- comprehensively monitoring our overall management of operational risks;
- reviewing our reports on operational risks management and losses arising from significant operational risks;
- supervising the establishment, improvement and implementation of systems relating to operational risks in various departments; and
- addressing significant operational risks.

Our risk and credit management department formulates operational risk management procedures for identifying, evaluating, monitoring and controlling operational risks under the supervision of our Board and senior management. Our audit department supervises and evaluates the management of operational risks and is responsible for independently examining and evaluating the appropriateness, effectiveness and efficiency of operational risk management policies, systems and procedures.

We have established a GRC system for managing internal control and operational risks. Through the system, we utilize operational risk management tools to identify, measure and monitor operational risks. The system also includes an operational risk alert module, enabling us to analyze alerts of risk events on a T+1 basis.

We manage operational risks primarily through the following measures:

- evaluating operational risks associated with new products, activities, procedures and systems before they are launched;
- collecting and analyzing data on operational risk-related loss to identify operational risks;
- re-assessing risk points for products and businesses which involve frequent occurrences of operational risk events or may incur significant losses from potential operational risk events;
- monitoring operational risks, and establishing an alert system to control the frequency of risk events that are likely to result in uncontrollable losses as well as reduce the potential losses from these events;
- establishing a comprehensive operational risk reporting system to analyze and report operational risks in a timely manner; and
- enhancing internal training on operational risk management.

REPUTATIONAL RISK MANAGEMENT

Reputational risk represents the risk of negative publicity caused by our operations, management or other activities or external events. The general office of our head office is primarily responsible for reputational risk management, and the Board bears the ultimate responsibility for reputational risk management. Our reputational risk management measures primarily include:

- formulating detailed reputational risk management policies and guidelines for identifying, reporting and managing significant reputational incidents;
- supervising employees' performance of duties in minimizing negative risk events;
- analyzing public opinion, investigating reputational risks and analyzing the dissemination channels of reputational risks and related incidents; and
- enhancing internal training on reputational risk management.

IT RISK MANAGEMENT

IT risk refers to operational, reputational, legal and other risks arising from information technology due to natural factors, human factors, technical constraints, management defects and other factors. Our IT risk management aims to identify, measure, monitor and control IT risks through the development of effective systems.

Our IT management committee supervises and guides our IT activities. Our risk and credit management department formulates IT risk management procedures under the supervision of the Board and senior management. Our audit department audits IT risks. Our IT department and relevant business departments are responsible for the implementation of specific risk management measures, plans and proposals.

Our IT risk management measures include:

- establishing systems, procedures and implementation rules for managing IT risks in accordance with relevant regulatory requirements. These systems, procedures and implementation rules cover information classification and protection, information system development, operations, testing and maintenance, visit control, physical security, personnel safety, business continuity plans and contingency plans and intellectual property protection;
- setting up an IT outsourcing risk management system with defined outsourcing management principles and strategies to eliminate outsourcing risks; and
- enhancing internal training on IT risks.

LEGAL AND COMPLIANCE RISK MANAGEMENT

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, financial losses and reputational harm resulting from the failure to comply with laws and regulations. We have a three-tier legal and compliance risk management structure at our head office, branches and sub-branches.

The legal and compliance department at our head office is in charge of managing our overall legal and compliance risks. In addition, we have established internal control and compliance positions at our sub-branches to manage legal and compliance risks.

Our risk and internal control management committee supervises and leads our legal and compliance work. We systematically manage our internal control compliance and legal affairs by building a management system for internal control compliance and operational risks. We manage legal and compliance risks primarily through the following measures:

- formulating our rules, systems and annual plans, and leading and urging the formulation and amendment thereof;
- enhancing the compliance review mechanism to identify and evaluate compliance risks associated with our business activities;
- uniformly managing standard contracts and other legal documents;
- managing and tracking our legal proceedings;
- formulating an annual compliance management plan, stipulating the focus and plans for annual compliance work;
- managing related parties and related party transactions to control related party transactions in advance;
- optimizing the management mechanism for rectifications upon inspection, and enhancing the supervision and management of our rectifications upon inspection;
- closely monitoring regulatory changes and reporting compliance information and risks to our senior management and the relevant business lines; and
- enhancing internal training on legal and compliance, and issuing compliance alerts and reminders to employees through compliance proposals and internal publications.

ANTI-MONEY LAUNDERING MANAGEMENT

We have formulated comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and other applicable regulations of the PBoC.

Our Board of Directors oversees our bank-wide implementation of anti-money laundering policies, supervises senior management with respect to the formulation and implementation of anti-money laundering rules and procedures, reviews reports from senior management on any major anti-money laundering matters and our overall money-laundering risk profile, and adjusts our anti-money laundering policies on a timely basis.

We have established anti-money laundering steering groups at our head office, branches and sub-branches. The anti-money laundering steering group at our head office leads and coordinates our bank-wide anti-money laundering efforts. It is primarily responsible for:

- formulating anti-money laundering plans;
- reviewing rules and internal controls regarding anti-money laundering;
- ensuring the effective implementation of internal controls for anti-money laundering;
- analyzing significant issues relating to anti-money laundering;
- formulating solutions and responsive measures; and
- reporting to our Board of Directors.

The group is led by the chairman of our Board, and consists of responsible persons from our accounting operation department, financial planning department, risk and credit management department, corporate banking department, international banking department, personal banking department, financial service center of our retail banking department and IT department.

We conduct due diligence on our customers in accordance with anti-money laundering laws and regulations. We report large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis through our anti-money laundering information monitoring and reporting system. We also report major reasonably suspected money laundering activities to the local branch of the PBoC and cooperate with their investigations, and report to local public security units when necessary.

We provide bank-wide anti-money laundering training on a regular basis based on employees' position and seniority. As of June 30, 2017, we had conducted more than 900 training sessions on anti-money laundering. We also require all new employees to participate in mandatory anti-money laundering training before commencing employment. As of June 30, 2017, more than 1,060 employees had obtained admittance certificates with respect to anti-money laundering positions issued by the PBoC.

INTERNAL AUDITS

We believe internal audits are essential to our stable operations and achievement of business objectives. We conduct internal audits to monitor the compliance with laws and regulations and the implementation of our internal policies and procedures, with the objective of controlling risks at an acceptable level.

We also aim to conduct effective risk management as well as optimize internal control compliance and our corporate governance structure, in an effort to improve our operations. We adhere to the principles of independence, importance, prudence, objectiveness and relevance.

We have adopted an independent and vertical internal audit management system, consisting of the audit committee of our Board of Directors, the audit committee of our Board of Supervisors and the audit department of our head office. Their functions are set forth below:

- The audit committee of the Board of Directors is responsible for inspecting our accounting policies, financial reporting procedures and risk compliance profile, reviewing our financial information and the disclosure of this information; and supervising the internal audit system and its implementation.
- The audit committee of the Board of Supervisors is responsible for supervising our financial position, reviewing our annual, semi-annual and quarterly financial and operating reports, and analyzing and evaluating our budgetary implementation, asset operations, asset quality, internal controls and implementation of major investment decisions.
- The audit department of our head office implements our internal audit and hires professional auditors. It is responsible for organizing, managing and implementing our audit work. It also reports audit work to the Board of Directors, Board of Supervisors and their respective audit committees on a periodic basis.

We have formulated internal audit rules and systems that contain articles of association and criteria for internal controls. The audit department of our head office formulates annual internal audit plans based on regulatory requirements as well as our operation, management and business profile. The plans may be implemented after being approved by the audit committee of the Board of Directors.

We have also established an audit management system, which may, through standard internal audit methods and procedures, audit our operation and management, information systems, risk profile and performance of employees of key positions, evaluate the effectiveness of our internal controls and corporate governance, and conduct follow-up audits on a timely basis. From 2014 to 2016, we conducted at least 3 routine audits every year. We also conduct special audits, off-site audits and audit investigations on a case-by-case basis.

After the Listing, the transactions that the Bank has entered into with its connected persons (as defined in the Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Listing Rules. The Bank expects these transactions will continue following the Listing, thereby constituting continuing connected transactions under the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Commercial Banking Services and Products Provided in the Ordinary and Usual Course of Business

The Bank is a commercial bank incorporated in the PRC under the supervision of the CBRC and the PBoC. It provides commercial banking services and products in the ordinary and usual course of business to the public in China, including the Bank's connected persons (such as the Directors, the Supervisors and/or their respective associates). Details of the connected transactions between the Bank and its connected persons are set out below. These transactions are entered into in the ordinary and usual course of business of the Bank on normal commercial terms.

(1). Extending Loans and Other Credit Facilities to Connected Persons

The Bank provides loans and other credit facilities to certain connected persons of the Bank in the ordinary and usual course of business on normal commercial terms and with reference to prevailing market rates (including providing loans indirectly to connected persons of the Bank through trust schemes or asset management schemes established by third parties). After the Listing, the Bank expects to continue to provide loans and other credit facilities to the Bank's connected persons, which will constitute continuing connected transactions of the Bank under Chapter 14A of the Listing Rules.

The above loans and other credit facilities provided by the Bank to the connected persons are entered into in the ordinary and usual course of business on normal commercial terms and with reference to prevailing market interest rates. Accordingly, pursuant to Rule 14A.87 (1) of the Listing Rules, these transactions will constitute fully exempt continuing connected transactions (i.e. financial assistance provided by the Bank to connected persons in the ordinary and usual course of business on normal commercial terms), and will therefore be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2). Taking Deposits from Connected Persons

The Bank takes deposits from certain connected persons in the ordinary and usual course of business with normal deposit interest rates and on normal commercial terms. The Bank expects that the connected persons will continue to place deposits with the Bank following the Listing, which will constitute continuing connected transactions of the Bank under Chapter 14A of the Listing Rules.

The deposits are placed by the Bank's connected persons with the Bank on normal commercial terms, with reference to prevailing market rates. Accordingly, pursuant to Rule 14A.90 of the Listing Rules, these transactions will constitute fully exempt continuing connected transactions (i.e. financial assistance received by the Bank from connected persons which are made by connected persons on normal commercial terms, and are not secured by the Bank's assets) and will therefore be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(3). Other Banking Services and Products

The Bank provides various commercial banking services and products (such as bank acceptance bills, debit card services) to certain connected persons in the ordinary and usual course of business on normal commercial terms and conditions at normal fee standards. After the Listing, the Bank expects to continue to provide such banking services and products to the connected persons, which will constitute continuing connected transactions of the Bank under Chapter 14A of the Listing Rules.

These continuing connected transactions are the provision of various commercial banking services and products to the Bank's connected persons in the ordinary and usual course of business on normal commercial terms similar to or no more favorable than those offered to independent third parties and are expected to constitute *de minimis* transactions under Chapter 14A of the Listing Rules. Accordingly, pursuant to Rule 14A.76(1) of the Listing Rules, these transactions will constitute fully exempt continuing connected transactions and will therefore be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Property Leasing Agreement with a Connected Person

The Bank entered into a property leasing agreement with JISCO Zhongtian Property Co., Ltd. (酒鋼集團中天置業有限公司) (an associate of Gansu State-owned Assets Investment, a substantial shareholder of the Bank) ("Zhongtian Property"). Pursuant to the agreement, Zhongtian Property leased a property located in Jiayuguan, Gansu province to the Bank as the Bank's business office, with a leasing term from January 1, 2017 to December 31, 2017 and at an annual rental of RMB401,568. In December 2017, the Bank entered into a new property leasing agreement with Zhongtian Property in respect of the same property with a leasing term from January 1, 2018 to December 31, 2018 and at an unchanged annual rental of RMB401,568. The transaction is conducted on normal commercial terms.

As of the Latest Practicable Date, Gansu State-owned Assets Investment, a substantial shareholder of the Bank, held 31.91% equity interest in Jiuquan Iron & Steel, while Zhongtian Property was a subsidiary of Jiuquan Iron & Steel. Gansu State-owned Assets Investment will continue to be a substantial shareholder of the Bank following the completion of the Global Offering. Zhongtian Property will become therefore a connected person of the Bank following the completion of the Global Offering. As the highest applicable percentage ratios of the above transaction calculated for the purpose of Chapter 14A of the Listing Rules are expected to be, on an annual basis, less than 0.1%, the continuing connected transaction contemplated under the above property leasing agreement constitutes *de minimis* transaction, and therefore is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.76(1) of the Listing Rules.

3. Property Management Agreement with a Connected Person

The Bank entered into a property management agreement with Lanzhou Changhong Property Management Co., Ltd. (蘭州長虹物業管理有限公司) (an associate of Gansu State-owned Assets Investment, a substantial shareholder of the Bank) ("Changhong Property Management"). Pursuant to this agreement, Changhong Property Management agreed to provide property management services to the Bank for its office space located in the Bank of Gansu Tower situated at Chengguang District of Lanzhou, Gansu province, with a term from August 1, 2017 to July 31, 2020. In view of establishing a long-term business relationship, the Bank and Changhong Property Management agreed that Changhong Property Management will not charge relevant property management fees in respect of the property management services it provides to the Bank.

As of the Latest Practicable Date, Gansu State-owned Assets Investment, a substantial shareholder of the Bank, held 31.91% equity interest in Jiuquan Iron & Steel, which held 100% equity interest in JISCO Lanzhou Judong Real Estate Development Co., Ltd. JISCO Lanzhou Judong Real Estate Development Co., Ltd. held 100% equity interest in Changhong Property Management. Gansu State-owned Assets Investment will continue to be a substantial shareholder of the Bank following the completion of the Global Offering. Therefore, Changhong Property Management will become a connected person of the Bank following the completion of the Global Offering. As the highest applicable percentage ratios of the above transaction calculated for the purpose of Chapter 14A of the Listing Rules are expected to be, on an annual basis, less than 0.1%, the continuing connected transaction contemplated under the above property management services agreement constitutes *de minimis* transaction, and therefore is exempt from all the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.76(1) of the Listing Rules.

4. Trust arrangement with a connected person

In the ordinary and usual course of business, the Bank and Everbright Xinglong Trust Co., Ltd. (光大興隴信託有限責任公司) ("Everbright Xinglong Trust") entered into a number of fund trust agreements ("Everbright Xinglong Trust Agreements"). As the settlor of the trust schemes, the Bank used its own funds as the trust property, while Everbright Xinglong Trust, serving as the trustee of the trust schemes, set up specific service management trust schemes. The Bank designated the end users of the trust property and Everbright Xinglong Trust in turn entered into relevant agreements (the "Relevant Agreements", such as trust loan agreements) with the end users.

As of the Latest Practicable Date, Gansu State-owned Assets Investment, a substantial shareholder of the Bank, held 41.58% equity interest in Everbright Xinglong Trust. Gansu State-owned Assets Investment will continue to be a substantial shareholder of the Bank following the completion of the Global Offering. Everbright Xinglong Trust will become therefore a connected person of the Bank following the completion of the Global Offering.

The Bank and Everbright Xinglong Trust agreed in the Everbright Xinglong Trust Agreements on the expected annualized rate of investment return or the method of determination of the investment return during the term of trusts. These returns are derived from the interest on trust loans or returns paid by the end-users of the trust property to Everbright Xinglong Trust under the Relevant Agreements. As the trustee of the trust schemes, Everbright Xinglong Trust is entitled to receive trust fees from the Bank (as the settlor of the trust schemes) which is a fixed amount agreed upon between Everbright Xinglong Trust and the Bank or calculated with reference to the principal balance of the trust property multiplied by the fixed annualized trust fee rate.

The terms of the transactions contemplated by the Everbright Xinglong Trust Agreements are on normal commercial terms and no more favorable than those offered to other independent third parties. As the highest applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules are expected to be, on an annual basis, less than 0.1%, the continuing connected transactions contemplated by the Everbright Xinglong Trust Agreements constitute *de minimis* transactions, and therefore are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.76(1) of the Listing Rules.

BOARD OF DIRECTORS

The Board of Directors consists of eleven Directors[(1)], including two executive Directors, five non-executive Directors and four independent non-executive Directors. A Director shall serve a term of three years, and may be re-elected for successive terms. According to PRC laws and regulations, the term of an independent non-executive Director shall not exceed a cumulative period of six years. The following table sets out certain information about the Directors.

Name	Age	Date of joining the Bank	Date of appointment as Director[(2)]	Position held as of the Latest Practicable Date	Responsibilities
Mr. Li Xin (李鑫)	59	May 2011	October 15, 2011	Chairman, Executive Director	Presiding over the overall operations of the Bank, and primarily responsible for matters concerning the Board of Directors, human resources, strategic planning, business development and party-related matters
Mr. Lei Tie (雷鐵)	53	October 2011	October 15, 2011	Executive Director, Vice President[(3)]	(a) as acting president of the Bank prior to the formal appointment of the new president, responsible for the overall operation and management of the Bank, implementation of the strategic objectives and overall achievement of the operating objectives of the Bank, and (b) as an executive Director and a vice president of the Bank, responsible for bank-wide accounting operations, information technology infrastructure, support and back-up of technological system; in charge of the accounting and operation department, information technology department and the operating department of the head office of the Bank

Name	Age	Date of joining the Bank	Date of appointment as Director(2)	Position held as of the Latest Practicable Date	Responsibilities
Ms. Wu Changhong (吳長虹)	54	November 2016	November 20, 2016	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member
Ms. Zhang Hongxia (張紅霞)	39	October 2011	October 15, 2011	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member
Mr. Li Hui (李輝)	58	October 2011	October 15, 2011	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Mr. Guo Jirong (郭繼榮)	46	November 2016	November 20, 2016	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Mr. Zhang Youda (張有達)	44	November 2016	November 20, 2016	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member

Name	Age	Date of joining the Bank	Date of appointment as Director(2)	Position held as of the Latest Practicable Date	Responsibilities
Mr. Chen Aiguo (陳愛國) . . .	48	November 2016	November 20, 2016	Independent Non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice on strategic development to the Bank based on his extensive experience in business management, and performing his duties as a Director through the Board of Directors, Strategy and Development Committee, Audit Committee, and Nomination and Remuneration Committee
Ms. Tang Xiuli (唐岫立) . . .	49	August 2017	August 12, 2017	Independent Non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing regulatory and compliance-related advice to the Bank based on her extensive experience in banking regulation in the PRC, and performing her duties as a Director through the Board of Directors, Audit Committee and Related Party Transaction and Risk Management Committee

Name	Age	Date of joining the Bank	Date of appointment as Director(2)	Position held as of the Latest Practicable Date	Responsibilities
Ms. Luo Mei (羅玫)	41	August 2017	August 12, 2017	Independent Non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice on finance and accounting to the Bank based on her extensive experience in finance and accounting, and performing her duties as a Director through the Board of Directors, Audit Committee, Nomination and Remuneration Committee and Related Party Transaction and Risk Management Committee
Mr. Wong Sincere (黃誠思)	53	August 2017	August 12, 2017	Independent Non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank in relation to compliance with Hong Kong laws and the Listing Rules based on his extensive experience in legal and compliance work, and performing his duties as a Director through the Board of Directors, Nomination and Remuneration Committee and Related Party Transaction and Risk Management Committee

Notes:

(1) According to the Articles of Association that will become effective on the Listing Date, the Board of Directors shall consist of twelve Directors. Mr. Liu Qing, a former executive Director and the president of the Bank, resigned from his positions on November 9, 2017 due to job transfer. It is expected that the Board of Directors will have eleven Directors on the Listing Date. However, the Bank is in the process of selecting the twelfth Director in accordance with the Articles of Association, and will make the appointment as soon as practicable after the Listing. The Bank will also make announcement(s) in relation to the appointment of the twelfth Director in due course after the Listing in accordance with the Listing Rules. As advised by Grandall Law Firm (Shanghai), the Bank's PRC legal advisor, although the actual number of the Directors will be lower than that set forth in the Articles of Association on the Listing Date, the Board of Directors is still able to function properly. Grandall Law Firm (Shanghai) is of the view that the composition of the Board of Directors on the Listing Date will not result in any violation of applicable PRC laws and regulations.

(2) The date of appointment as a Director stated here represents the date on which the relevant person was elected as a Director by the shareholders' general meeting of the Bank.

(3) Mr. Liu Qing, a former executive Director and the president of the Bank, resigned from his positions on November 9, 2017 due to job transfer. At a meeting of the Board of Directors held on November 9, 2017, the Board of Directors designated Mr. Lei Tie to assume the roles and responsibilities of the president of the Bank in the interim prior to the formal appointment of the new president of the Bank. The Bank is in the process of selecting the new president. According to applicable PRC laws and the Articles of Association, the president should be nominated by the chairman of the Board of Directors and approved by the Board of Directors. Additionally, his/her qualification as the president of the Bank should be approved by the competent PRC banking regulatory authorities.

Executive Directors

Mr. Li Xin (李鑫), aged 59, was appointed as the chairman of the Board of Directors, secretary to the party committee and president of Dunhuang Bank Co., Ltd. (the former name of the Bank used during the Bank's incorporation process) in May 2011, and has been the chairman of the Board and an executive Director since October 15, 2011. Mr. Li is responsible for presiding over the overall operations of the Bank. He is also primarily responsible for matters concerning the Board of Directors, human resources, strategic planning, business development and party-related matters.

Mr. Li has over 30 years of experience in the financial industry and in management. Prior to joining the Bank, Mr. Li held a number of positions at the Gansu Province Changqing Petroleum Sub-Branch of China Construction Bank Corporation ("CCB") from December 1985 to October 2000, including as staff, deputy head and head of the personnel division, director of the discipline inspection group, member of the party committee, deputy secretary to the party committee, vice president, secretary to the party committee and president. Mr. Li worked at the Gansu Branch of CCB from October 2000 to September 2005, serving as president of the Lanzhou Nanguan Sub-Branch, general manager of the international business department of the provincial branch and president of the Lanzhou Plaza Sub-Branch. He worked at Gansu Province Rural Credit Cooperative Union from September 2005 to May 2011, serving as a member of the party committee, deputy director, deputy secretary to the party committee and director.

Mr. Li obtained a bachelor's degree through correspondence study from the Correspondence Institute of the Party School of the Central Committee of CPC, the PRC, in December 1997, majoring in economic management. He was certified by CCB as a senior economist in December 2002. Mr. Li was awarded the title of "Financier of Longshang" (隴上金融家) by Xinhua News Agency Gansu Bureau, Finance Office of the People's Government of Gansu Province and the Lanzhou Central Sub-Branch of PBoC in February 2015.

Mr. Lei Tie (雷鐵), aged 53, has been an executive Director since October 2011. Mr. Lei has also served as a vice president of the Bank since October 15, 2011. On November 9, 2017, the Board of Directors appointed Mr. Lei to assume the roles and responsibilities of the president of the Bank in the interim prior to the formal appointment of the new president. As acting president of the Bank, Mr. Lei is responsible for the overall operation and management of the Bank, implementation of the strategic objectives and overall achievement of the operating objectives of the Bank. As an executive Director and a vice president of the Bank, Mr. Lei is primarily responsible for bank-wide accounting operations, information technology infrastructure, and support and back-up of technological systems. Mr. Lei is also in charge of the accounting and operation department, information technology department, and operating department of the head office of the Bank.

Mr. Lei has over 35 years of experience in the financial industry and in management. Prior to joining the Bank, Mr. Lei served as a clerk of the Dingxi Sub-Branch of China Agricultural Bank, clerk of the Lintao Sub-Branch and the Dingxi Sub-Branch of PBoC, as well as the Dingxi Sub-Branch of

Industrial and Commercial Bank of China Limited ("ICBC") from December 1980 to January 1986, deputy head and head of the accounting and credit departments of the Dingxi Sub-Branch of ICBC from January 1986 to September 1989, staff member, senior staff member and principal staff member of the currency issue section of the Gansu Branch of PBoC from September 1989 to December 1998, principal staff member, division head and deputy chief of the money, gold and silver section, deputy chief (presiding over the work) and chief of the investigation and statistics division, director of the general office and director of the office of the party committee of the Lanzhou Central Sub-Branch of PBoC from December 1998 to August 2007. Mr. Lei also served as the secretary to the party committee and president of the Linxia Central Sub-Branch of PBoC, and concurrently the director-general of the Linxia Central Sub-Bureau of the SAFE from August 2007 to June 2009. Mr. Lei was the head of the national treasury division, the organization department and the personnel division of the Lanzhou Central Sub-Branch of PBoC from June 2009 to September 2011.

Mr. Lei obtained an associate degree from Gansu Radio & TV University in Gansu province, the PRC, in July 1986, majoring in finance, a bachelor's degree through correspondence study from the Correspondence Institute of the Party School of the Central Committee of CPC, the PRC, in June 1992, majoring in economic management, an associate degree from Northwest Minzu Institute (now known as "Northwest Minzu University") in Gansu province, the PRC, in June 1998, majoring in English for international trade, and a master's degree in economics from Fudan University in Shanghai, the PRC, in July 1999, majoring in political economics. He was certified as a senior economist by PBoC in October 2001.

Non-executive Directors

Ms. Wu Changhong (吳長虹), aged 54, has been a non-executive Director since November 20, 2016. Ms. Wu is primarily responsible for participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member.

Ms. Wu has been a member of the party committee and the deputy general manager of Gansu Highway Aviation Tourism since May 2011, and the chief financial officer of Gansu Highway Aviation Tourism since November 2015. She held a number of positions at Jinchuan Group Limited (now known as "Jinchuan Group") from July 1984 to May 2011, including accountant of the cost division of the finance department, deputy head and head of the capital division of the finance and audit department, head of the assets management division of the finance and audit department, deputy director of the finance department and general manager of the audit department.

Ms. Wu obtained a bachelor's degree from the Party School of Gansu Province Committee of CPC, the PRC, in December 1998, majoring in enterprise management. She was certified as a senior accountant by the Gansu Province Professional Title Reform Office (甘肅省職稱改革工作辦公室) in November 1998.

Ms. Zhang Hongxia (張紅霞), aged 39, has been a non-executive Director since October 15, 2011. Ms. Zhang is primarily responsible for participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member.

Ms. Zhang has been a deputy director (presiding over the work) of the office of the board of directors of Baoshang Bank since August 2008. She served as an officer of the human resources department and director of the department of party affairs of Baoshang Bank from November 1998 to July 2008.

Ms. Zhang obtained a bachelor's degree from Inner Mongolia College of Finance and Economics (currently known as "Inner Mongolia University of Finance and Economics") in the Inner Mongolia Autonomous Region, the PRC, in January 2006, majoring in finance, and a master's degree from Inner Mongolia University of Technology in the Inner Mongolia Autonomous Region, the PRC, in July 2011, majoring in business administration. She was certified as an economist by the Ministry of Human Resources of the PRC (currently known as "Ministry of Human Resources and Social Security of the PRC") in November 2003.

Mr. Li Hui (李輝), aged 58, has been a non-executive Director since October 15, 2011. Mr. Li is primarily responsible for participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member.

Mr. Li has been the general manager of Gansu Electric Power Investment since May 2015. Mr. Li served as secretary to the party committee and general manager of Gansu Electric Power Investment Darong Electric Power Co., Ltd. from September 2004 to July 2009.

Mr. Li obtained a bachelor's degree through correspondence study from the Correspondence College of the Party School of the Central Committee of CPC, the PRC, in December 2001, majoring in economic management and a master's degree from the Chinese People's Liberation Army Air Force Engineering University in Shaanxi province, the PRC, in July 2006, majoring in management science and engineering. Mr. Li also obtained a master's degree from Tsinghua University in Beijing, the PRC, in January 2014, majoring in business administration. Mr. Li was honored as "Leading Talent of Gansu Province" by the CPC Gansu Provincial Committee and the People's Government of Gansu Province in May 2015.

Mr. Guo Jirong (郭繼榮), aged 46, has been a non-executive Director since November 20, 2016. Mr. Guo is primarily responsible for participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member.

Mr. Guo has been the head of the asset operation and management department of Jiuquan Iron & Steel since June 2016. He served as the deputy head of the capital division of the finance section and head of the accounting and information division of Baiyin Nonferrous Metals Company (now known as "Baiyin Nonferrous Group Co., Ltd.") from July 1995 to November 2002, audit project manager of Wulian United Accounting Firm (now known as "Ruihua Certified Public Accountants") from November 2002 to May 2004, assistant senior staff and deputy senior staff of the finance department, deputy director of the property management commission, deputy director of property management department, director of the directors and supervisors office and deputy director of the asset operation and management department of Jiuquan Iron & Steel from May 2004 to June 2016. Mr. Guo also served as the chief accountant, chief financial officer and chief of the finance section of Gansu Jiuquan Steel Group Hongxing Iron & Steel Co., Ltd. from December 2009 and March 2013.

Mr. Guo obtained a bachelor's degree in economics from Shanxi Institute of Finance and Economics (now known as "Shanxi University of Finance and Economics") in Shanxi province, the

PRC, in July 1995, majoring in accounting. Mr. Guo was certified as an accountant by the MOF in May 1998 and a public accountant by the Certified Public Accountant Examination Board of the MOF in March 2004.

Mr. Zhang Youda (張有達), aged 44, has been a non-executive Director since November 20, 2016. Mr. Zhang is primarily responsible for participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member.

Mr. Zhang has been the general manager of the finance department of Jinchuan Group since December 2011. He served as deputy head and head of the finance division of the testing center, head of the finance division of the smelting plant of Jinchuan Group, head of the cost division of the finance department, deputy director of the finance department and deputy general manager of the finance department (presiding over the work) of Jinchuan Group from April 2002 to December 2011.

Mr. Zhang obtained a bachelor's degree from Lanzhou University of Technology in Gansu province, the PRC, in July 2004, majoring in accounting, and a master's degree from Lanzhou University in Gansu province, the PRC, in June 2010, majoring in business administration. Mr. Zhang was certified as a senior accountant by the Gansu Province Professional Title Reform Office (甘肅省職稱改革工作辦公室) in December 2009, a senior economist by China Nonferrous Metals Industry Association in November 2008, and a senior accountant by the Gansu Province Professional Title Reform Office in July 2017.

Independent Non-executive Directors

Mr. Chen Aiguo (陳愛國), aged 48, has been an independent non-executive Director since November 20, 2016. Mr. Chen is primarily responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice on strategic development to the Bank based on his extensive experience in business management, and performs his duties as a Director through the Board of Directors, Strategy and Development Committee, Audit Committee, and Nomination and Remuneration Committee.

Mr. Chen has been a director of China CEFC Energy Company Limited and an executive director of CEFC Shanghai International Group Limited since August 2014. Mr. Chen served as chairman of Xiangcai Qinian Futures Brokerage Limited (now known as "Changjiang Futures Co., Ltd.") from July 2006 to October 2012, as well as vice president (presiding over the work) of Wuhan Financial Assets Exchange Co., Ltd. from November 2012 to May 2014.

Mr. Chen obtained a bachelor's degree in economics from Beijing Institute of Business (now known as "Beijing Technology and Business University") in Beijing, the PRC, in July 1992, majoring in commerce and economics, and a master's degree from Zhejiang University in Zhejiang province, the PRC, in September 2012, majoring in business management.

Ms. Tang Xiuli (唐岫立), aged 49, has been an independent non-executive Director since August 12, 2017. Ms. Tang is primarily responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing regulatory and compliance-related advice to the Bank based on her extensive experience in banking regulation in the PRC, and performs her duties as a Director through the Board of Directors, Audit Committee and Related Party Transaction and Risk Management Committee.

Ms. Tang is the senior vice president and chief policy officer of Zillion Financial Network Technology Group Limited (資邦金服網絡科技集團有限公司). Ms. Tang has many years of experience in banking regulation in the PRC. She worked at the Heilongjiang Branch and Shenyang Branch of the PBoC in the 1990s. She also previously worked at the CBRC. Ms. Tang was a member of the party committee and vice president of Bank of Wenzhou Co., Ltd. from July 2012 to December 2015.

Ms. Tang obtained a bachelor's degree in economics from Dongbei University of Finance and Economics in Liaoning province, the PRC, in July 1991, majoring in information system, a master's degree in economics from Dongbei University of Finance and Economics in April 2006, majoring in finance, and a doctorate's degree in economics from Dongbei University of Finance and Economics in June 2014, majoring in finance. Ms. Tang was certified as a senior economist by PBoC in November 2003.

Ms. Luo Mei (羅玫), aged 41, has been an independent non-executive Director since August 12, 2017. Ms. Luo is primarily responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice on finance and accounting to the Bank based on her extensive experience in finance and accounting, and performs her duties as a Director through the Board of Directors, Audit Committee, Nomination and Remuneration Committee and Related Party Transaction and Risk Management Committee.

Ms. Luo joined Tsinghua University in June 2007 and is currently an associate professor of the Department of Accounting at the School of Economics and Management of Tsinghua University, and the academic coordinator of the Master of Professional Accounting (MPAcc) program at Tsinghua University since September 2011. Ms. Luo has been an independent director of Beijing Gehua CATV Network Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600037) since March 2013. Ms. Luo was an independent director of Beijing Baofeng Technology Co., Ltd. (now known as Baofeng Group Co., Ltd., a company listed on the Shenzhen Stock Exchange, stock code: 300431) from June 2013 to December 2014.

Ms. Luo obtained a bachelor's degree from the School of Economics and Management of Tsinghua University in Beijing, the PRC, in June 1998, majoring in accounting (international accounting), and a doctorate's degree in business management from the University of California Berkeley in California, the U.S., in December 2004, majoring in accounting and finance. In 2011, Ms. Luo was included in the Marquis Who's Who in America 2011.

Mr. Wong Sincere (黃誠思), aged 53, has been an independent non-executive Director since August 12, 2017. Mr. Wong is primarily responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank in relation to compliance with Hong Kong laws and the Listing Rules based on his extensive experience in legal and compliance works, and performs his duties as a Director through the Board of Directors, Nomination and Remuneration Committee and Related Party Transaction and Risk Management Committee.

Mr. Wong became the founder and has been the principal of Sincere Wong & Co. since May 2016. He was an in-house counsel for Hutchison Whampoa Group from September 1996 to January 2005 and China Resources Enterprise, Limited (now known as China Resources Beer (Holdings) Company Limited) from February 2005 to November 2006, chief legal officer of Shui On Construction and Materials Limited from November 2006 to June 2010, as well as the head of the legal department and company secretary of Sateri Holdings Limited (a company previously listed on the Hong Kong

Stock Exchange, the name of which was later changed to Bracell Limited but has subsequently been privatized) from July 2010 to May 2011. He worked at the Hong Kong Stock Exchange from August 2011 to April 2016, and was a vice president of Listing & Regulatory Affairs Division at the time of his departure from the Hong Kong Stock Exchange, primarily responsible for reviewing listing applications and providing recommendations to the Listing Committee of the Hong Kong Stock Exchange regarding listing applications.

Mr. Wong obtained a bachelor's degree of social science from the Chinese University of Hong Kong in Hong Kong in December 1986. He passed the Common Professional Examination in Wolverhampton Polytechnic (now known as University of Wolverhampton) in July 1990, and the Solicitors' Final Examination of the Law Society of England and Wales with first class honors in October 1991. Mr. Wong was admitted as a solicitor of Hong Kong and England and Wales in October 1993 and February 1994, respectively.

SUPERVISORS

The PRC Company Law requires a joint stock company to establish a board of supervisors that is responsible for supervising the performance of the duties by the board of directors and senior management as well as the financial operations, internal control and risk management of the Bank. The Board of Supervisors consists of nine Supervisors, of whom three are employee representative Supervisors, three are shareholder Supervisors and three are external Supervisors. The current Supervisors (other than the Bank's employee representative Supervisors) were appointed by the Shareholders, and the current employee representative Supervisors were appointed by the employee representatives' meetings.

A Supervisor shall serve a term of three years, and may be re-elected for successive terms. The term of an external Supervisor shall not exceed a cumulative period of six years. The following table sets out some information about the Supervisors.

Name	Age	Date of joining the Bank	Date of appointment as Supervisor[(1)]	Position held as of the Latest Practicable Date	Responsibilities
Mr. Yang Qian (楊乾) . . .	59	September 2011	October 15, 2011	Chief Supervisor, Employee Representative Supervisor	Responsible for overall work of the Board of Supervisors and supervising the work of the Board of Directors and management to ensure compliance with laws and regulations. In charge of the audit, institution management and security departments of the head office
Mr. Xu Yongfeng (許勇鋒)	53	October 2011	October 15, 2011	Employee Representative Supervisor	Supervising the Board of Directors and the senior management on behalf of the employees of the Bank
Mr. Luo Zhenxia (羅振夏)	53	October 2011	October 15, 2011	Employee Representative Supervisor	Supervising the Board of Directors and the senior management on behalf of the employees of the Bank
Mr. Liu Yongchong (劉永翀)	51	November 2016	November 20, 2016	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. Li Yongjun (李永軍)	48	October 2011	October 15, 2011	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. Liu Xiaoyu (劉曉宇)	45	November 2016	November 20, 2016	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. Zhu Xingjie (朱興杰)	62	October 2011	October 15, 2011	External Supervisor	Supervising the Board of Directors and the senior management
Mr. Yang Zhenjun (楊振軍)	48	August 2017	August 12, 2017	External Supervisor	Supervising the Board of Directors and the senior management
Mr. Dong Ying (董英) . . .	54	August 2017	August 12, 2017	External Supervisor	Supervising the Board of Directors and the senior management

Note:

(1) The date of appointment as a Supervisor stated here represents the date on which the relevant person was elected as a Supervisor by the shareholders' general meetings or the employee representatives' meetings (for employee representative Supervisors only) of the Bank.

Mr. Yang Qian (楊乾), aged 59, has been the chairman of the Board of Supervisors and employee representative Supervisor since October 15, 2011. Mr. Yang is responsible for overall work of the Board of Supervisors and supervising the work of the Board of Directors and management to ensure compliance with laws and regulations. Mr. Yang is also in charge of the audit, institution management and security departments of the head office.

Mr. Yang worked as a cadre at the Education Bureau and the district committee office, deputy director of the district committee office and deputy head of the organization department of Baiyin District of Lanzhou City, Gansu province from July 1980 to December 1986, head of the organization division of the organization department of Baiyin City Party Committee of Gansu Province from December 1986 to April 1987, head of the organization department of Pingchuan District Committee of Baiyin City, Gansu province from April 1987 to December 1989, and director of the general office of Baiyin Association for Science and Technology of Gansu Province from December 1989 to September 1994. Mr. Yang was head of the secretariat division of the party committee office, deputy head of the personnel and education section, the organization department of the party committee, and the publicity department, head of the publicity department, deputy secretary of the party committee and head of the president's office of the Gansu Branch of Bank of China from September 1994 to September 2011.

Mr. Yang obtained a bachelor's degree through correspondence study from the Correspondence Institute of the Party School of the Central Committee of CPC, the PRC, in December 2002, majoring in economic management. He was certified as a political adviser (政工師) by the Professional Qualification Evaluation Committee of Intermediate Enterprise Political Adviser of Baiyin City (白銀市企業政工中級專業職務資格評審委員會) in April 1992.

Mr. Xu Yongfeng (許勇鋒), aged 53, has been an Employee Representative Supervisor of the Bank since October 15, 2011, primarily responsible for supervising the Board of Directors and the senior management on behalf of the employees of the Bank. Mr. Xu has been the general manager of the Institution Management Department of the Bank since February 2013, and the general manager of the Security Department of the Bank since September 2015.

Mr. Xu joined the Bank in October 2011, and was the deputy secretary to the party committee and vice president of the Pingliang Branch of the Bank from November 2011 to February 2013. Mr. Xu served as a clerk at the credit unit of the Pingliang Ankou Office of PBoC from November 1981 to July 1984 and a clerk at the credit unit of the Ankou Office of Industrial and Commercial Bank of China from July 1984 to July 1989. He was a staff member, deputy head and head at the integrated division of Pingliang Commission for Institutional Reform of Gansu Province from July 1989 to November 1998, head of the business branch of Pingliang Central Urban Credit Union of Gansu Province from November 1998 to January 2003, chief supervisor of Pingliang Urban Credit Union of Gansu Province from January 2003 to December 2008, and president of Pingliang Commercial Bank from December 2008 to October 2011.

Mr. Xu obtained a bachelor's degree from Gansu Radio & TV University in Gansu province, the PRC, in June 2004, majoring in finance.

Mr. Luo Zhenxia (羅振夏), aged 53, has been an employee representative Supervisor of the Bank since October 15, 2011, primarily responsible for supervising the Board of Directors and the senior management on behalf of the employees of the Bank. Mr. Luo has been secretary to the party committee of the Hongyuan Road Sub-Branch of the Bank since January 2015 and president of the Hongyuan Road Sub-Branch of the Bank since April 2015.

Mr. Luo joined the Bank in October 2011. He was the deputy secretary to the party committee and vice president of the Baiyin Branch of the Bank from November 2011 to February 2013, and was the general manager of the Security Department of the Bank from February 2013 to January 2015. Prior to joining the Bank, Mr. Luo was a teacher at Guocheng Agricultural Middle School in Huining County of Baiyin City, Gansu province from July 1982 to January 1986, a cadre at the Huining County Committee of the Communist Youth League of China from January 1986 to November 1987, a staff member in the planning division and deputy head of the integrated planning division of the Baiyin Branch of PBoC from November 1987 to November 1994, deputy director and director of Urban Credit Union of Baiyin District of Baiyin City of Gansu Province and member of the party leadership group, member of the party committee, deputy general manager, general manager and director of Urban Credit Union of Baiyin City of Gansu Province from November 1994 to November 2010. He was a member of the party committee, president and director of Baiyin Commercial Bank from November 2010 to November 2011.

Mr. Luo obtained a bachelor's degree through correspondence study from the Correspondence Institute of the Party School of the Central Committee of CPC, the PRC, in December 1995, majoring in economics.

Mr. Liu Yongchong (劉永翀), aged 51, has been a shareholder Supervisor of the Bank since November 20, 2016. Mr. Liu is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Liu has been the chief financial officer of Jingyuan Coal Industry Group Limited since June 2015. He served as staff of the finance department, deputy senior staff member, deputy head and head of the assets and finance department and director of the accounting management center of Jingyuan Coal Industry Limited (currently known as "Jingyuan Coal Industry Group Limited") from July 2001 to November 2012. Mr. Liu was the chief financial officer, head of the assets and finance department, director of the accounting management and assets operation and management centers of Gansu Jingyuan Coal Industry and Electricity Power Co., Ltd. from November 2012 to June 2015.

Mr. Liu completed all the courses for the undergraduate self-study examination in financial accounting hosted by Lanzhou Commercial College (now known as "Lanzhou University of Finance and Economics") in Gansu province, the PRC, in July 1998.

Mr. Li Yongjun (李永軍), aged 48, has been a shareholder Supervisor of the Bank since October 15, 2011. Mr. Li is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Li has been the chairman of Yong Xin Hua Holdings Co., Ltd. since October 1997, and was the general manager of Gansu Yong Xin Construction Installation Engineering Company Limited from April 1991 to October 1997.

Mr. Li completed the master's course for business administration for senior management in Cheung Kong Graduate School of Business in Beijing, the PRC, in September 2008. Mr. Li was certified as a senior engineer by Gansu Province Professional Title Reform Leading Group (甘肅省職稱改革工作領導小組) in January 2001.

Mr. Liu Xiaoyu (劉曉宇), aged 45, has been a shareholder Supervisor of the Bank since November 20, 2016. Mr. Liu is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Liu has been the head of the planning and financing department of Readers Publishing Group Limited since October 2011. He was a cashier and an accountant in the finance department of Gansu People's Publishing House (later restructured into "Readers Publishing Group Limited") from June 1996 to January 2008, deputy head of the planning and financing department of Readers Publishing Group Limited from February 2008 to December 2009, and deputy head of the finance department of DuZhe Publishing & Media Co., Ltd. from January 2010 to September 2011.

Mr. Liu obtained a bachelor's degree from Shaanxi Institute of Finance and Economics (now known as "School of Economics and Finance of Xi'an Jiaotong University") in Shaanxi province, the PRC, in July 1993, majoring in public finance. He was certified as a senior accountant by the Department of Human Resources of Gansu Province in December 2009.

Mr. Zhu Xingjie (朱興杰), aged 62, has been an external Supervisor of the Bank since October 15, 2011. Mr. Zhu is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Zhu has been the chairman, general manager and secretary of the party committee of Gansu Heihe Hydropower Industrial Investment Co., Ltd. (previously known as Gansu Heihe Hydropower Development Co., Ltd.) since August 2000, and the chairman and general manager of Zhangye Electric Power Development Co., Ltd. from August 1999 to March 2000.

Mr. Zhu obtained an associate degree through correspondence study from Gansu University of Technology in Gansu province, the PRC, in December 1999, majoring in management of power utilization.

Mr. Yang Zhenjun (楊振軍), aged 48, has been an external Supervisor of the Bank since August 12, 2017. Mr. Yang is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Yang has been the director of the Dingxi Urban Construction and Investment Operation Management Office of Gansu Province since August 2015, and the secretary of the party leadership group of Dingxi Urban Construction and Investment Operation Management Office of Gansu Province since February 2016. Mr. Yang was a cadre in Shouyang Township Government of Longxi County, a full-time judicial assistant, a cadre in the county government office, deputy mayor of Gongchang Town, secretary of the Youth League Committee of Longxi County, deputy secretary of the party committee, mayor and secretary to the party committee of Shouyang Town, Longxi County, member of the standing committee CPC county and secretary to the politics and law commission of Longxi County of Dingxi District, Gansu province from July 1989 to November 2006. Mr. Yang was a member of the standing committee of CPC Anding District Committee, secretary of the politics and law commission, secretary of the discipline inspection commission and deputy district head of Anding District of Dingxi City, Gansu province from November 2006 to August 2015.

Mr. Yang obtained an associate degree through correspondence study from the Party School of Gansu Province Committee of CPC, the PRC, in December 1998, majoring in economic management, a bachelor's degree through correspondence study from the Correspondence School of the Party

School of Gansu Province Committee of CPC, the PRC, in December 2001, majoring in law, and a master's degree from the Party School of Gansu Province Committee of CPC, the PRC, in June 2009, majoring in jurisprudence.

Mr. Dong Ying (董英), aged 54, has been an external Supervisor of the Bank since August 12, 2017. Mr. Dong is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Dong has been a director of Wuwei Economic Development and Investment (Group) Co., Ltd. ("Wuwei Economic Development and Investment") since June 2015, deputy general manager of Wuwei Economic Development and Investment since May 2013 and executive deputy general manager of Wuwei Economic Development and Investment since November 2016. Mr. Dong has also been an executive director (legal representative) of Wuwei Testing Center of Quality of Urban-Rural Construction Projects since December 2016. Mr. Dong was head of the marketing department of Wuwei Urban Construction & Investment (Group) Co., Ltd. from February 2004 to March 2008, director of the general office of Wuwei Economic Development Investment from March 2008 to July 2015, as well as chairman of the labor union, deputy secretary-general and secretary of the party branch of Wuwei Economic Development Investment at the same time from September 2010 to June 2015.

Mr. Dong completed the undergraduate course in economic management at the Party School of the Gansu Province Committee of CPC in Gansu province, the PRC, in December 2002. He was certified as an economist by Professional Title Reform Leading Group of Township Enterprise Management Bureau of Gansu Province (甘肅省鄉鎮企業管理局職改領導小組) and Gansu Province Professional Title Reform Office (甘肅省職稱改革工作辦公室) in December 2004.

SENIOR MANAGEMENT

The following table sets out certain information regarding the senior management of the Bank.

Name	Age	Date of joining the Bank	Date of first appointment as senior management	Position held as of the Latest Practical Date	Responsibilities
Mr. Lei Tie (雷鐵)	53	October 2011	October 2011	Executive Director, Vice President(1)	(a) as acting president of the Bank prior to the formal appointment of the new president, responsible for the overall operation and management of the Bank, implementation of strategic objectives and overall achievement of the operating objectives of the Bank, and (b) as an executive Director and a vice president of the Bank, responsible for bank-wide accounting operations, information technology infrastructure, support and back-up of the technological system; in charge of the accounting and operations department, information technology department and the operating department of the head office of the Bank
Mr. Qiu Jinhu (仇金虎)	53	January 2015	January 2015	Vice President	Responsible for labor union-related works and business of loans to SMEs and individuals, and in charge of the Retail Business Financial Service Center of the Bank
Mr. Wang Chunyun (王春雲)	45	October 2011	October 2016	Chief Risk Officer	Responsible for comprehensive risk management, legal and compliance and investment banking business of the Bank. In charge of the Risk and Credit Management Department, Investment Banking Department and Legal and Compliance Department of the Bank

Note:

(1) Please refer to note (3) on page 235 in relation to Mr. Lei Tie's temporary assumption of the roles and responsibilities of the president of the Bank.

Name	Age	Date of joining the Bank	Date of first appointment as senior management	Position held as of the Latest Practical Date	Responsibilities
Mr. Wang Zhiyuan (王志遠)	49	April 2012	December 2017	Vice President, General Manager of the Human Resources Department, General Manager of the Strategy and Development Department (concurrent)	Responsible for human resources related works of the Bank
Mr. Xu Jianping (許建平) . . .	47	February 2012	July 2017	Vice President, Secretary to the Board of Directors, Director of the office of the Board of Directors, Joint Company Secretary	Responsible for the daily work of the Board and in charge of the office of the Board

For the biography of Mr. Lei Tie, please refer to "—Board of Directors—Executive Directors" in this section.

Mr. Qiu Jinhu (仇金虎), aged 53, has been the vice president of the Bank since January 2015. Mr. Qiu is primarily responsible for labor union-related works and business of loans to SMEs and individuals. Mr. Qiu is also in charge of the Retail Business Financial Service Center of the Bank.

Mr. Qiu served as a credit clerk, an accountant and head of Qinyu Credit Union of Dangchang County, Gansu province from January 1980 to June 1994, head of the business and operation department of Dangchang County Rural Credit Union of Gansu Province from June 1994 to March 1996, deputy head of Dangchang County Rural Credit Union of Gansu Province from March 1996 to October 2000, deputy head of Kang County Rural Credit Union of Gansu Province from October 2000 to September 2004, and secretary to the party committee and director-general of Xihe County Rural Credit Union of Gansu Province from September 2004 to April 2009. He successively served as the secretary to the party committee and director-general of Chengguan District Rural Credit Union of Lanzhou City, Gansu province, and the director of the party committee office, general manager of the integrated management department and director assistant of Gansu Province Rural Credit Cooperative Union from April 2009 to January 2015.

Mr. Qiu obtained a bachelor's degree through online education from Lanzhou University in Gansu province, the PRC, in January 2013, majoring in finance and a master's degree in business management from Lanzhou University in December 2013.

Mr. Wang Chunyun (王春雲), aged 45, has been the Chief Risk Officer of the Bank since October 2016. Mr. Wang is primarily responsible for comprehensive risk management, legal and compliance and investment banking business of the Bank. Mr. Wang is also in charge of the Risk and Credit Management Department, Investment Banking Department and Legal and Compliance Department of the Bank.

Mr. Wang served as the general manager of the Risk and Credit Management Department of the Bank from October 2011 to October 2016. Prior to joining the Bank, between July 1996 and July 2008, he served as a staff member in the project evaluation division and the integrated section of the risk management division, deputy head of the credit information management section of the credit risk management division, business manager of the risk management department, assistant to the general manager of the asset preservation department, deputy general manager of the asset preservation department, and head of the asset preservation department of the Gansu Branch of CCB. Mr. Wang served as the general manager of the risk management department of the Lanzhou Branch of Shanghai Pudong Development Bank Co., Ltd. from July 2008 to October 2011.

Mr. Wang obtained a bachelor's degree from Hunan University in Hunan province, the PRC, in July 1996, majoring in applied mathematics. Mr. Wang was accredited as an engineer by the Gansu Branch of China Construction Bank Corporation in July 1998.

Mr. Wang Zhiyuan (王志遠), aged 48, has been a vice president of the Bank since December 2017. He is also a member of the party committee and the discipline inspection commission of the Bank. Mr. Wang is primarily responsible for human resources of the Bank.

Mr. Wang was the principal head of the human resources department of the Bank from April 2012 to June 2012, the head of the organization department of the party committee and the general manager of the human resources department of the Bank from June 2012 to September 2012, a member of the discipline inspection commission, the head of the organization department of the party committee and the general manager of the human resources department of the Bank from September 2012 to September 2014, a member of the discipline inspection commission, the head of the organization department of the party committee, the general manager of the human resources department and the general manager of the strategy and development department (concurrently) of the Bank from September 2014 to December 2016, and a member of the party committee, a member of the discipline inspection commission, the head of the organization department of the party committee, the general manager of the human resources department and the general manager of the strategy and development department (concurrently) of the Bank from December 2016 to November 2017. Mr. Wang held a number of positions at China Construction Bank from July 1992 to January 2000, including a staff member of Lanzhou Railway Sub-Branch, office secretary of Gansu Branch, head of the cadre division of the Office of Personnel of Gansu Branch, deputy chief of the Office of Personnel and head of the cadre division of Gansu Branch. Mr. Wang worked at the Lanzhou office of China Cinda Asset Management Corporation (currently known as "China Cinda Asset Management Co., Ltd.") from January 2000 to June 2008, successively serving as senior manager (department-level) of the investment banking department, head of the first business department and director of the integrated management department thereof. Mr. Wang worked at Lanzhou Branch of Shanghai Pudong Development Bank Co., Ltd. ("**SPDB Lanzhou Branch**") from July 2008 to June 2009, successively being in charge of the works of the general office of SPDB Lanzhou Branch (in establishment) and serving as the director of the general office of SPDB Lanzhou Branch.

Mr. Wang obtained a bachelor's degree from Lanzhou University in Gansu province, the PRC, in June 1991, majoring in philosophy.

Mr. Xu Jianping (許建平), aged 47, has been the director of the general office (office of the party committee) of the Bank since February 2015, the director of the office of the Board of Directors of the Bank since January 2017, has been appointed as the joint company secretary of the Bank since June 2017 and the secretary to the Board of Directors since July 2017. Mr. Xu has also been a vice president of the Bank since December 2017. Mr. Xu is responsible for the daily work of the Board and in charge of the office of the Board.

Mr. Xu joined the Bank in February 2012. He served as the general manager of the corporate business department of the Bank from June 2012 to February 2015. Prior to joining the Bank, Mr. Xu served as a staff, an investment credit clerk and an office secretary of Huodian Office of the Lanzhou Electric Power Sub-Branch of CCB from July 1992 to October 1994. He served as the office secretary, deputy head, head and deputy director of the secretariat division, and deputy general manager and general manager of the legal affairs department of the Gansu Branch of CCB from October 1994 to August 2007, secretary of the party committee and president of the Dingxi Branch of CCB from August 2007 to December 2009. Mr. Xu was the secretary to the party committee, president and lead coordinator of marketing services team of Lanzhou New Area of the Lanzhou Chengguan Sub-Branch of CCB from June 2010 to February 2012.

Mr. Xu obtained a bachelor's degree in law from Lanzhou University in Gansu province, the PRC, in June 1992, majoring in law, and a master's degree in business administration from Lanzhou University in June 2011. In August 2011, Mr. Xu was certified as an economist by Gansu Province Professional Title Reform Office (甘肅省職稱改革工作辦公室).

JOINT COMPANY SECRETARIES

Mr. Xu Jianping (許建平), aged 47, has been appointed as a joint company secretary of the Bank since June 2017. For the biography of Mr. Xu, please refer to "Senior Management" in this section.

As Mr. Xu does not meet the qualifications specified in Rules 3.28 and 8.17 of the Listing Rules, the Bank has applied to Hong Kong Stock Exchange and has been granted by the Hong Kong Stock Exchange exemption from strict compliance with the relevant rules. Please refer to "Waivers from Strict Compliance with the Listing Rules—Waiver in relation to Joint Company Secretaries".

Ms. Hui Yin Shan (許燕珊), aged 48, is the vice president of SW Corporate Services Group Limited. She holds a bachelor's degree in applied mathematics from the Hong Kong Polytechnic University, Hong Kong, and a master's degree in finance from the Curtin University in Australia. Ms. Hui is a member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She has more than fifteen years of extensive experience in providing company secretarial services to listed and private companies.

OTHER INFORMATION REQUIRED TO BE DISCLOSED UNDER RULE 13.51(2)(h) TO (v) OF THE LISTING RULES

Mr. Zhu Xingjie (朱興杰) was the chairman and general manager of Zhangye Electric Power Development Co., Ltd. (張掖市電力開發有限責任公司), a limited liability company incorporated in the PRC on August 3, 1999, mainly engaged in hydroelectric power generation, which was dissolved by way of deregistration on March 10, 2000. Mr. Zhu confirmed that there is no wrongful act on his part leading to the dissolution, which was mainly due to the establishment of Gansu Heihe Hydropower Industrial Investment Co., Ltd. (previously known as Gansu Heihe Hydropower Development Co., Ltd.) to carry out the relevant businesses. Mr. Zhu is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions. Mr. Zhu also confirmed that his involvement in the above company was part of his services as the chairman and general manager of this company and that no misconduct or misfeasance had been involved in the dissolution of this company, and that the relevant company was solvent at the time of deregistration.

Mr. Wong Sincere (黃誠思) was a director of Excellent View Limited (采風有限公司), which was incorporated in Hong Kong as a private company limited by shares on October 17, 2003 and was dissolved by deregistration on December 22, 2006 pursuant to the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before March 3, 2014. Excellent View Limited provided football related information to users via telephone. Mr. Wong confirmed that the said company was solvent with no outstanding liabilities at the time of its deregistration and as far as he is aware, the dissolution of the said company has not resulted in any liability or obligation to be imposed against him.

COMMITTEES UNDER THE BOARD OF DIRECTORS

The Bank's Board of Directors has established the following committees: the strategy and development committee, the audit committee, the nomination and remuneration committee, and the related party transaction and risk management committee. The committees operate within the scope of authority granted by the Board of Directors.

Strategy and Development Committee

The Bank has established the strategy and development committee with specific written scope of authority. The strategy and development committee consists of five Directors, being Mr. Li Xin, Mr. Lei Tie, Ms. Zhang Hongxia, Mr. Li Hui and Mr. Chen Aiguo. Mr. Li Xin is the chairman of the strategy and development committee. The principal responsibilities of the strategy and development committee include:

- formulating the Bank's operating and management objectives and long-term development strategy; and
- supervising and examining the implementation of annual operating plan and investment plan of the Bank.

Audit Committee

The Bank has established the audit committee with specific written scope of authority in accordance with the requirements of the Listing Rules. The audit committee consists of five Directors, being Ms. Luo Mei, Ms. Wu Changhong, Mr. Guo Jirong, Mr. Chen Aiguo and Ms. Tang Xiuli. Ms. Luo Mei is the chairman of the audit committee. The principal responsibilities of the audit committee include:

- reviewing the accounting policies, financial position, financial reports and risk and compliance conditions of the Bank;
- proposing the engagement or replacement of external auditing firms;
- supervising the Bank's internal audit system and implementation;
- coordinating internal and external audits; and
- ensuring the truthfulness, accuracy and completeness of the Bank's audited financial information.

Nomination and Remuneration Committee

The Bank has established the nomination and remuneration committee with specific written scope of authority in accordance with the requirements of the Listing Rules. The nomination and remuneration committee consists of five Directors, being Mr. Chen Aiguo, Mr. Li Xin, Mr. Lei Tie, Ms. Luo Mei and Mr. Wong Sincere. Mr. Chen Aiguo is the chairman of the nomination and remuneration committee. The principal responsibilities of the nomination and remuneration committee include:

Responsibilities regarding nomination:

- submitting proposals to the Board of Directors in relation to the formation of the Board of Directors based on the business condition, asset size and equity structure of the Bank;
- formulating the standards and the procedures for election of Directors, president and other senior executives of the Bank, and submitting the relevant proposals to the Board of Directors;
- conducting initial review of the qualifications and credentials of the Directors, president and other senior executives, and providing review comments;
- assessing the independence of independent non-executive Directors; and
- developing and, where appropriate, reviewing the diversification policy of the members of the Board of Directors and disclosing the relevant policies or their abstracts in the annual reports.

Responsibilities regarding remuneration and evaluation:

- making recommendations to the Board of Directors on the remuneration of Directors, Supervisors, president and other senior executives, and supervising the implementation of the proposals;
- making recommendations to the Board of Directors on the remuneration packages of individual executive Directors and senior executives, and the remuneration of non-executive Directors;
- based on the remuneration offered by companies of similar nature, time needed and responsibilities, proposing the employment terms for other positions within the Bank; and
- assessing fulfillment of duties and responsibilities by Directors and senior executives and evaluating their annual performance.

Related Party Transaction and Risk Management Committee

The Bank has established a related party transaction and risk management committee with specific written scope of authority. The related party transaction and risk management committee consists of five Directors, being Mr. Wong Sincere, Mr. Lei Tie, Mr. Zhang Youda, Ms. Luo Mei and Ms. Tang Xiuli. Mr. Wong Sincere is the chairman of the related party transaction and risk management committee. The principal responsibilities of the related party transaction and risk management committee include:

Responsibilities regarding management of related party transactions

- examining and approving the related party transactions within the scope of authorization set by the Board of Directors, or accepting the filing of such related party transactions; and

- assessing the related party transactions outside the scope of authority set by the Board of Directors, and seeking for the approval of such related party transactions by the Board of Directors.

Responsibilities regarding risk management:

- supervising the management of risks by the Bank's senior management;
- evaluating the Bank's risk profile;
- making recommendations regarding our risk management and internal controls, discussing risk management with senior management, and ensuring that management has performed their duties to establish effective systems; and
- actively or as appointed by the Board of Directors, conducting research on key investigation results relating to risk management matters and responses of management to investigation results.

COMMITTEES UNDER THE BOARD OF SUPERVISORS

The Board of Supervisors has established three committees, including the supervisory committee, the nomination committee and the audit committee. These committees operate in accordance with the terms of reference formulated by the Board of Supervisors.

Supervisory Committee

The supervisory committee consists of five Supervisors, being Mr. Dong Ying, Mr. Yang Qian, Mr. Xu Yongfeng, Mr. Zhu Xingjie and Mr. Liu Yongchong. Mr. Dong Ying is the chairman of the supervisory committee. The principal responsibilities of the supervisory committee include:

- supervising the Board of Directors in formulating prudent business philosophies and development strategies;
- formulating and coordinating the implementation of internal inspection and special audit plans with respect to our business decision-making, financial activities, risk management and internal controls;
- formulating and coordinating the implementation of investigation plans for major emergencies and risk events based on the authorization of our Board of Supervisors; and
- communicating with external auditors regarding preparation of the Board's periodic reports and related material adjustments and reporting to the Board of Supervisors.

Nomination Committee

The nomination committee consists of five Supervisors, being Mr. Yang Zhenjun, Mr. Yang Qian, Mr. Xu Yongfeng, Mr. Li Yongjun and Mr. Dong Ying. Mr. Yang Zhenjun is the chairman of the nomination committee. The principal responsibilities of the nomination committee include:

- formulating procedures and standards concerning election and appointment of Supervisors, conducting preliminary review on the qualifications of candidates for Supervisors, and submitting proposals to the Board of Supervisors;
- supervising the process of election and appointment of the Directors;

- performing comprehensive evaluation of Directors, Supervisors and senior executives and reporting the results of evaluation to the Board of Supervisors; and
- supervising the objectivity and reasonableness of the remuneration management systems and policies and remuneration plans for senior management.

Audit Committee

The audit committee consists of five Supervisors, being Mr. Zhu Xingjie, Mr. Yang Qian, Mr. Luo Zhenxia, Mr. Liu Xiaoyu and Mr. Yang Zhenjun. Mr. Zhu Xingjie is the chairman of the audit committee. The principal responsibilities of the audit committee include:

- supervising and inspecting the Bank's financial position;
- reviewing the Bank's annual, semi-annual and quarterly financial and operation reports; and
- analyzing and evaluating the Bank's budget implementation, asset operation and quality, internal controls and the implementation of major investment decisions.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration provided by the Bank for its executive Directors, employee representative Supervisors and senior management who are also the Bank's employees concurrently include salaries, discretionary bonus, social security plans, housing provident fund plans and other benefits. The remuneration provided by the Bank for its non-executive Directors, independent non-executive Directors and other Supervisors are determined by their responsibilities.

The total remuneration before tax paid to the Directors for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 were approximately RMB3.4 million, RMB3.3 million, RMB2.4 million and RMB1.0 million, respectively.

The total remuneration before tax paid to the Supervisors for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 were approximately RMB2.6 million, RMB2.8 million, RMB2.7 million and RMB0.9 million, respectively.

The total remuneration before tax paid to the Bank's senior management (excluding those who were also Directors or Supervisors concurrently for the relevant period) for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 were approximately RMB1.3 million, RMB1.2 million, RMB1.3 million and RMB0.5 million, respectively.

The total remuneration before tax paid to the five highest paid individuals for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 were approximately RMB8.0 million, RMB8.7 million, RMB8.0 million and RMB4.4 million, respectively.

Based on the arrangements in force as of the date of this prospectus, it is estimated the total remuneration before tax payable to the Directors, Supervisors and senior management of the Bank for 2017 will be approximately RMB6.5 million.

No remuneration was paid by the Bank to the Directors, Supervisors or the five highest paid individuals as inducement to join or upon joining the Bank or as a remuneration for loss of office in respect of the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017. Furthermore, none of the Directors or Supervisors had waived or agreed to waive any remuneration during the same periods.

Save as disclosed above, the Bank did not have any other amount paid or payable to the Directors for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017.

DIRECTORS' AND SUPERVISORS' INTEREST

Save as disclosed in this prospectus, none of the Directors and Supervisors: (i) held any other positions in the Group as of the Latest Practicable Date; (ii) had any other relationship with any Directors, Supervisors, senior management or substantial shareholders of the Bank as of the Latest Practicable Date; and (iii) held any directorships in any other listed companies in the three years immediately prior to the Latest Practicable Date. Please refer to "Appendix VII—Statutory and General Information" for the Directors' and Supervisors' interests in the Shares within the meaning of Part XV of the SFO.

None of the Directors are interested in any business, apart from our business, which competes or is likely to compete, either directly or indirectly, with the businesses of the Bank pursuant to Rule 8.10(2) of the Listing Rules.

Save as disclosed in this prospectus, to the best of the Directors' and Supervisors' knowledge, information and belief and having made all reasonable enquiries, as of the Latest Practicable Date, there were no other matters concerning the appointment of the Directors or Supervisors that need to be brought to the attention of the Shareholders, nor any other information about Directors or Supervisors that are required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

COMPLIANCE ADVISOR

The Bank has appointed Guotai Junan Capital Limited as the compliance advisor pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. According to Rule 3A.23 of the Listing Rules, the compliance advisor shall give advice to the Bank in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- on any contemplated transaction (which might be a notifiable or connected transaction) including issuance and buyback of Shares;
- where the Bank proposes to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Bank deviate from any forecast, estimate, or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an enquiry to the Bank regarding unusual movements in the price or trading volume of the Bank's H Shares, the possible development of a false market in H Shares of the Bank, or any other matters.

The term of office of the compliance advisor shall commence on the Listing Date and end on the date on which the Bank distributes the annual report on its financial results for the first full financial year commencing after the Listing Date.

As of the Latest Practicable Date, the Bank's total share capital was RMB7,525,991,330.00, divided into 7,525,991,330 Domestic Shares with a nominal value of RMB1.00 each. So far as the Directors are aware, as of the Latest Practicable Date, the following persons have an interest or a short position in the Shares or related shares of the Bank which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Division 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 general meetings of the Bank:

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares directly or indirectly held	Approximate % of interest in the Bank
Gansu State-owned Assets Investment[(1)]	Beneficial owner	Domestic Shares	359,250,972	4.77%
	Interest in controlled corporations	Domestic Shares	1,267,944,606	16.85%
Gansu Highway Aviation Tourism[(2)]	Beneficial owner	Domestic Shares	1,157,154,433	15.38%
Baoshang Bank	Beneficial owner	Domestic Shares	845,296,403	11.23%
Jiuquan Iron & Steel	Beneficial owner	Domestic Shares	633,972,303	8.42%
Gansu Electric Power Investment	Beneficial owner	Domestic Shares	633,972,303	8.42%
Jinchuan Group	Beneficial owner	Domestic Shares	633,972,303	8.42%

Notes:

(1) As of the Latest Practicable Date, Gansu State-owned Assets Investment directly held 359,250,972 Domestic Shares, representing approximately 4.77% of the total issued Shares. Gansu SASAC and Jiuquan Iron & Steel hold 83.54% and 16.46% equity interest in Gansu State-owned Assets Investment, respectively, while Gansu State-owned Assets Investment in turn holds 31.91% equity interest in Jiuquan Iron & Steel. Gansu State-owned Assets Investment also holds 100% of the equity interest in Gansu Electric Power Investment and 48.67% of the equity interest in Jinchuan Group. Therefore, Gansu Electric Power Investment and Jinchuan Group are controlled corporations of Gansu State-owned Assets Investment. Pursuant to the SFO, Gansu State-owned Assets Investment is deemed to be interested in the Shares held by Gansu Electric Power Investment and Jinchuan Group.

(2) Gansu Highway Aviation Tourism is a wholly-owned subsidiary of the Department of Transportation of Gansu Province.

As of the Latest Practicable Date:

(1) Gansu State-owned Assets Investment held 31.91%, 100.00% and 48.67% of the equity interest in Jiuquan Iron & Steel, Gansu Electric Power Investment and Jinchuan Group, respectively. Jiuquan Iron & Steel in turn held 16.46% of the equity interest in Gansu State-owned Assets Investment.

(2) Gansu Highway Aviation Tourism is wholly-owned by the Department of Transportation of Gansu Province. Jiuquan Iron & Steel, Gansu Electric Power Investment, Jinchuan Group and Gansu State-owned Assets Investment are directly or indirectly controlled by the Gansu SASAC.

Save as disclosed above, the above shareholders are independent from each other.

Immediately following the Global Offering:

- assuming the Over-allotment Option is not exercised, the number of issued shares will be 9,737,991,330, including 7,525,991,330 Domestic Shares and 2,212,000,000 H Shares, representing approximately 77.28% and 22.72% of the Bank's enlarged total share capital, respectively; and
- assuming the Over-allotment Option is fully exercised, the number of issued shares will be 10,069,791,330, including 7,525,991,330 Domestic Shares and 2,543,800,000 H Shares, representing approximately 74.74% and 25.26% of the Bank's enlarged total share capital, respectively.

So far as the Directors are aware, immediately following the Global Offering, the following persons will have an interest or a short position in the Shares or related shares of the Bank which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Division 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 general meetings of the Bank:

			Immediately following the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the Global Offering (assuming full exercise of the Over-allotment Option)		
Name of Shareholder	Nature of interest	Class of Shares	Number of Shares directly or indirectly held	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares of the Bank	Number of Shares directly or indirectly held	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares of the Bank
Gansu State-owned Assets Investment	Beneficial owner	Domestic Shares	359,250,972	3.69%	4.77%	359,250,972	3.57%	4.77%
	Interest in controlled corporations(1)	Domestic Shares	1,267,944,606	13.02%	16.85%	1,267,944,606	12.59%	16.85%
Gansu Highway Aviation Tourism	Beneficial owner	Domestic Shares	1,157,154,433	11.88%	15.38%	1,157,154,433	11.49%	15.38%
Baoshang Bank	Beneficial owner	Domestic Shares	845,296,403	8.68%	11.23%	845,296,403	8.39%	11.23%
Jiuquan Iron & Steel	Beneficial owner	Domestic Shares	633,972,303	6.51%	8.42%	633,972,303	6.30%	8.42%
Gansu Electric Power Investment	Beneficial owner	Domestic Shares	633,972,303	6.51%	8.42%	633,972,303	6.30%	8.42%
Jinchuan Group	Beneficial owner	Domestic Shares	633,972,303	6.51%	8.42%	633,972,303	6.30%	8.42%
Hong Kong Dasheng Investment Holdings Limited	Beneficial owner(2)	H Shares	435,708,000	4.47%	19.70%	435,708,000	4.33%	17.13%
Shenzhen Dasheng Agricultural Group Co., Ltd.	Interest in controlled corporation(3)	H Shares	435,708,000	4.47%	19.70%	435,708,000	4.33%	17.13%
Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd.	Interest in controlled corporation(4)	H Shares	435,708,000	4.47%	19.70%	435,708,000	4.33%	17.13%
Lan Huasheng (蘭華升)	Interest in controlled corporation(5)	H Shares	435,708,000	4.47%	19.70%	435,708,000	4.33%	17.13%
Huaxun International Group Limited	Beneficial owner(6)	H Shares	290,472,000	2.98%	13.13%	290,472,000	2.88%	11.42%
Huaxun Fangzhou Technology Co., Ltd.	Interest in controlled corporation(7)	H Shares	290,472,000	2.98%	13.13%	290,472,000	2.88%	11.42%
Wu Guangsheng (吳光勝)	Interest in controlled corporation(8)	H Shares	290,472,000	2.98%	13.13%	290,472,000	2.88%	11.42%
China Create Capital Limited	Beneficial owner(9)	H Shares	290,472,000	2.98%	13.13%	290,472,000	2.88%	11.42%
Zhang Wei (張偉)	Interest in controlled corporation(10)	H Shares	290,472,000	2.98%	13.13%	290,472,000	2.88%	11.42%
Huarong Rongde (Hong Kong) Investment Management Company Limited	Beneficial owner(11)	H Shares	145,236,000	1.49%	6.57%	145,236,000	1.44%	5.71%

Name of Shareholder	Nature of interest	Class of Shares	Immediately following the Global Offering (assuming no exercise of the Over-allotment Option) Number of Shares directly or indirectly held	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares of the Bank	Immediately following the Global Offering (assuming full exercise of the Over-allotment Option) Number of Shares directly or indirectly held	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares of the Bank
Huarong Rongde Asset Management Company Limited	Interest in controlled corporation(12)	H Shares	145,236,000	1.49%	6.57%	145,236,000	1.44%	5.71%
China Huarong Asset Management Co., Ltd.	Interest in controlled corporation(13)	H Shares	145,236,000	1.49%	6.57%	145,236,000	1.44%	5.71%
Cathay Capital Company (No.2) Limited	Interest in controlled corporation(14)	H Shares	145,236,000	1.49%	6.57%	145,236,000	1.44%	5.71%

Notes:

(1) Following the Global Offering, Gansu State-owned Assets Investment will (1) directly hold 359,250,972 Domestic Shares (assuming the Over-allotment Option is not exercised) and 359,250,972 Domestic Shares (assuming the Over-allotment Option is fully exercised); (2) hold a total of 1,267,944,606 Domestic Shares (assuming the Over-allotment Option is not exercised) and 1,267,944,606 Domestic Shares (assuming the Over-allotment Option is fully exercised) through its controlled corporations (i.e. Gansu Electric Power Investment and Jinchuan Group). For details of the controlled corporations of Gansu State-owned Assets Investment, please refer to note (1) in the table on page 255.

(2) Hong Kong Dasheng Investment Holdings Limited is a cornerstone investor of the Bank and has agreed to invest US$150.00 million to subscribe for the Offer Shares. The relevant shares calculated herein are based on (a) an exchange rate of US$1.00: HK$7.8137, and (b) the Offer Price of HK$2.69 (being the mid-point of the indicative Offer Price range), and subject to the rounding down to the nearest whole board lot of 1,000 H Shares.

(3) Hong Kong Dasheng Investment Holdings Limited is a wholly-owned subsidiary of Shenzhen Dasheng Agricultural Group Co., Ltd. According to the SFO, Shenzhen Dasheng Agricultural Group Co., Ltd. is deemed to be interested in the Shares held by Hong Kong Dasheng Investment Holdings Limited.

(4) Hong Kong Dasheng Investment Holdings Limited is a wholly-owned subsidiary of Shenzhen Dasheng Agricultural Group Co., Ltd. Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd. holds 70.0% of the total share capital in Shenzhen Dasheng Agricultural Group Co., Ltd. According to the SFO, Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd. is deemed to be interested in the Shares held by Hong Kong Dasheng Investment Holdings Limited.

(5) Hong Kong Dasheng Investment Holdings Limited is a wholly-owned subsidiary of Shenzhen Dasheng Agricultural Group Co., Ltd. Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd. holds 70.0% of the total share capital in Shenzhen Dasheng Agricultural Group Co., Ltd. Mr. Lan Huasheng holds 70.0% of the total share capital in Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd. According to the SFO, Mr. Lan Huasheng is deemed to be interested in the Shares held by Hong Kong Dasheng Investment Holdings Limited.

(6) Huaxun International Group Limited is a cornerstone investor of the Bank and has agreed to invest US$100.00 million to subscribe for the Offer Shares. The relevant shares calculated herein are based on (a) an exchange rate of US$1.00: HK$7.8137, and (b) the Offer Price of HK$2.69 (being the mid-point of the indicative Offer Price range), and subject to the rounding down to the nearest whole board lot of 1,000 H Shares.

(7) Huaxun International Group Limited is a wholly-owned subsidiary of Huaxun Fangzhou Technology Co., Ltd. According to the SFO, Huaxun Fangzhou Technology Co., Ltd. is deemed to be interested in the Shares held by Huaxun International Group Limited.

(8) Huaxun International Group Limited is a wholly-owned subsidiary of Huaxun Fangzhou Technology Co., Ltd. Mr. Wu Guangsheng holds approximately 39.98% of the total share capital in Huaxun Fangzhou Technology Co., Ltd. According to the SFO, Mr. Wu Guangsheng is deemed to be interested in the Shares by Huaxun International Group Limited.

(9) China Create Capital Limited is a cornerstone investor of the Bank and has agreed to invest US$100.00 million to subscribe for the Offer Shares. The relevant shares calculated herein are based on (a) an exchange rate of US$1.00: HK$7.8137, and (b) the Offer Price of HK$2.69 (being the mid-point of the indicative Offer Price range), and subject to the rounding down to the nearest whole board lot of 1,000 H Shares.

(10) Mr. Zhang Wei holds 100% of the total issued share capital in China Create Capital Limited. According to the SFO, Mr. Zhang Wei is deemed to be interested in the Shares held by China Create Capital Limited.

(11) Huarong Rongde (Hong Kong) Investment Management Company Limited is a cornerstone investor of the Bank and has agreed to invest US$50.00 million to subscribe for the Offer Shares. The relevant shares calculated herein are based on (a) an exchange rate of US$1.00: HK$7.8137, and (b) the Offer Price of HK$2.69 (being the mid-point of the indicative Offer Price range), and subject to the rounding down to the nearest whole board lot of 1,000 H Shares.

(12) Huarong Rongde (Hong Kong) Investment Management Company Limited is a wholly-owned subsidiary of Huarong Rongde Asset Management Company Limited. According to the SFO, Huarong Rongde Asset Management Company Limited is deemed to be interested in the Shares held by Huarong Rongde (Hong Kong) Investment Management Company Limited.

(13) Huarong Rongde (Hong Kong) Investment Management Company Limited is a wholly-owned subsidiary of Huarong Rongde Asset Management Company Limited. As of the Latest Practicable Date, China Huarong Asset Management Co., Ltd. holds 59.3% of the registered share capital in Huarong Rongde Asset Management Company Limited. According to the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares held by Huarong Rongde (Hong Kong) Investment Management Company Limited.

(14) Huarong Rongde (Hong Kong) Investment Management Company Limited is a wholly-owned subsidiary of Huarong Rongde Asset Management Company Limited. As of the Latest Practicable Date, Cathay Capital Company (No.2) Limited holds 40.7% of the registered share capital in Huarong Rongde Asset Management Company Limited. According to the SFO, Cathay Capital Company (No.2) Limited is deemed to be interested in the Shares held by Huarong Rongde (Hong Kong) Investment Management Company Limited.

As of the Latest Practicable Date, the total share capital of the Bank was RMB7,525,991,330.00, divided into 7,525,991,330 Domestic Shares with a nominal value of RMB1.00 each.

Immediately following the completion of the Global Offering, and assuming that the Over-allotment Option is not exercised, the total share capital of the Bank is set out below:

Class of Shares	Number of Shares	Approximate percentage of share capital
Domestic Shares	7,525,991,330	77.28%
H Shares issued pursuant to the Global Offering	2,212,000,000	22.72%
Total	**9,737,991,330**	**100%**

Assuming that the Over-allotment Option is fully exercised, the total share capital of the Bank is set out below:

Class of Shares	Number of Shares	Approximate percentage of share capital
Domestic Shares	7,525,991,330	74.74%
H Shares issued pursuant to the Global Offering	2,543,800,000	25.26%
Total	**10,069,791,330**	**100%**

SHARES OF THE BANK

Upon the completion of the Global Offering, the Bank will have two classes of Shares, Domestic Shares and H Shares, both of which are ordinary shares in the Bank's share capital. However, H Shares of the Bank generally may not be subscribed for by or traded between legal or natural persons of the PRC, other than certain qualified domestic institutional investors in the PRC, qualified PRC investors under Shanghai—Hong Kong Stock Connect and Shenzhen—Hong Kong Stock Connect, and other persons who are entitled to hold H Shares under the relevant PRC laws and regulations or the approval of any competent authorities.

Pursuant to the Articles of Association, the Domestic Shares and the H Shares are categorized as different classes of Shares. Their differences and 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 transfers and appointment of dividend receiving agents are set forth in the Articles of Association and "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 of the Shareholders at a general meeting and by holders of that class of Shares at a separate meeting. "Appendix V—Summary of Articles of Association" lists the circumstances that would be deemed variation or abrogation of the rights of a class of Shares. However, approval by separate classes of Shareholders is not required when: (i) the Bank issues not more than 20% of each of the existing issued Domestic Shares and H Shares with the approval of a special resolution of the Shareholders at a general meeting, either separately or concurrently, once every 12 months; (ii) the

Bank's plan to issue Domestic Shares and H Shares at the time of its establishment is implemented within 15 months from the date of approval by the securities regulatory authority under the State Council; or (iii) Shareholders convert the unlisted Shares of the Bank into overseas listed Shares for listing and trading overseas upon approval by the banking regulatory authority and the securities regulatory authority.

Except for the differences as described above, the Domestic Shares and H Shares will rank equally 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 will be declared in RMB and paid in Hong Kong dollars by the Bank, while all dividends in respect of the Domestic Shares will be paid in RMB by the Bank. In addition to cash, dividends may be distributed in the form of Shares.

CONVERSION OF THE DOMESTIC SHARES INTO THE H SHARES

Upon completion of the Global Offering, the Bank will have two classes of ordinary Shares, namely Domestic Shares and H Shares. All of Domestic Shares are Shares which are not listed or traded on any stock exchange. According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, the unlisted Shares may be converted into H Shares, and such converted H Shares may be listed and 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 PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion and trading shall in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of Domestic Shares are to be converted and to be traded as H Shares on the Hong Kong Stock Exchange, such conversion requires the approval of the relevant PRC regulatory authorities, including the CSRC. The listing of such converted H Shares on the Hong Kong Stock Exchange will also require the approval of the Hong Kong Stock Exchange at the time of conversion instead of at the time of our initial listing. The approval of the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange as an administrative matter only. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this section, the Bank can apply for the listing of all or any portion of Domestic Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of Shares for entry on the H Share register.

No class shareholder voting is required for the conversion, listing and trading of the converted Shares on an overseas stock exchange. Any application for listing of the converted Shares on the Hong Kong Stock Exchange after the initial listing of the Bank is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed conversion.

LOCK-UP PERIODS

Pursuant to Article 141 of the PRC Company Law, shares issued prior to public offering of shares of a company shall not be transferred within one year from the date on which such shares are listed and traded on the relevant stock exchange. As such, the Shares issued by the Bank prior to its issue of the H Shares shall be subject to such statutory restriction on transfer within a period of one year from the Listing Date.

The Bank's Directors, Supervisors and senior management shall declare their shareholdings in the Bank 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 Bank every year. They shall not transfer the Shares they hold in the Bank within one year from the date of the Bank's listing on a stock exchange, nor within six months after they leave their positions in the Bank. The Articles of Association may set out other restrictive provisions in respect of the transfer of Shares in the Bank held by its Directors, Supervisors and senior management.

In accordance with Article 2(3) of the Notice on the Regulation of Internal Staff Shares in Financial Enterprises (《關於規範金融企業內部職工持股的通知》), for the regulation of the listing and circulation of internal staff shares on capital market and the strengthening of the management of secondary market circulation of such, a financial enterprise (which is listed or will be listed in the future) shall take steps to regulate the secondary market transfer of its internal staff shares which are held by its senior management and other individuals holding more than 50,000 internal staff shares. The relevant senior management and individuals of financial enterprises shall undertake not to transfer the shares held by them within three years from the date of listing of the financial enterprise. After the expiry of the lock-up period, the shares disposed by each of them in each year shall not exceed 15% of their respective total shareholdings in the financial enterprise. The aggregate number of shares disposed by them within 5 years of the expiry of the lock-up period shall not exceed 50% of their respective total shareholdings in the financial enterprise. Apart from the 6-month lockup on the Bank's issuance of Shares and the 12-month lockup on the controlling shareholders' disposal of shares, the laws of Hong Kong do not provide for any restrictions related to shareholding volume or share transfers.

SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

For details of circumstances under which the Bank is required to hold the shareholders' general meetings and class meetings, see subsections headed "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".

The following discussion and analysis should be read in conjunction with the consolidated financial statements and accompanying notes included in the Accountant's Report set forth in Appendix I to this prospectus. The consolidated financial statements have been prepared in accordance with IFRS. The following discussion and analysis contain forward-looking statements that are subject to risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in "Forward-looking Statements" and "Risk Factors".

ASSETS

As of December 31, 2014, 2015 and 2016 and June 30, 2017, our total assets amounted to RMB165,100.1 million, RMB211,930.7 million, RMB245,056.4 million and RMB269,354.6 million, respectively. The following table sets forth the components of total assets as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Loans and advances to customers, gross	56,495.5	34.2%	90,626.7	42.8%	107,855.1	44.0%	118,169.9	43.9%
Provision for impairment losses	(977.2)	(0.6)%	(2,419.8)	(1.1)%	(3,756.0)	(1.5)%	(4,247.6)	(1.6)%
Loans and advances to customers, net	55,518.3	33.6%	88,206.9	41.7%	104,099.1	42.5%	113,922.3	42.3%
Investment securities and other financial assets(1)	62,011.4	37.5%	70,846.4	33.4%	87,116.2	35.5%	65,221.6	24.2%
Deposits with banks	19,427.7	11.8%	26,573.8	12.5%	24,571.9	10.0%	42,774.9	15.9%
Cash and deposits with the central bank	21,172.5	12.8%	23,548.7	11.1%	25,079.1	10.2%	26,618.4	9.9%
Financial assets held under resale agreements	4,893.9	3.0%	—	—	498.1	0.2%	15,749.2	5.8%
Other assets(2)	2,076.3	1.3%	2,754.9	1.3%	3,692.0	1.6%	5,068.2	1.9%
Total assets	**165,100.1**	**100.0%**	**211,930.7**	**100.0%**	**245,056.4**	**100.0%**	**269,354.6**	**100.0%**

Notes:

(1) Includes debt securities classified as receivables, available-for-sale financial assets, held-to-maturity investments, and financial assets at fair value through profit or loss.

(2) Primarily consists of property and equipment, deposit paid for acquisitions of premises, deferred tax assets, interests receivable and interests in an associate.

Loans and Advances to Customers

Loans and advances to customers are the largest component of total assets. As of December 31, 2014, 2015 and 2016 and June 30, 2017, loans and advances to customers, net of provision for impairment losses, represented 33.6%, 41.7%, 42.5% and 42.3% of total assets, respectively.

The following discussion is based on total loans and advances to customers before taking into account the related provision for impairment losses, unless otherwise indicated. Loans and advances to customers are reported net of provision for impairment losses in our consolidated statements of financial position.

Total loans and advances to customers increased by 60.4% from RMB56,495.5 million as of December 31, 2014 to RMB90,626.7 million as of December 31, 2015, and further increased by 19.0% to RMB107,855.1 million as of December 31, 2016. As of June 30, 2017, total loans and advances to customers amounted to RMB118,169.9 million. The increases in total loans and advances to customers were primarily attributable to the growth of our corporate banking and retail banking businesses.

Loans and Advances to Customers by Product

The following table sets forth loans and advances to customers by product as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate loans[(1)]	48,754.5	86.3%	72,636.3	80.2%	85,271.6	79.1%	89,601.3	75.8%
Retail loans	2,548.6	4.5%	5,835.9	6.4%	7,901.9	7.3%	10,546.2	8.9%
Discounted bills	5,192.4	9.2%	12,154.5	13.4%	14,681.6	13.6%	18,022.4	15.3%
Total loans and advances to customers	**56,495.5**	**100.0%**	**90,626.7**	**100.0%**	**107,855.1**	**100.0%**	**118,169.9**	**100.0%**

Note:

(1) Includes poverty reduction loans of nil, RMB3,326.0 million, RMB6,594.6 million and RMB6,591.0 million as of December 31, 2014, 2015 and 2016 and June 30, 2017, representing approximately 4.6%, 7.7% and 7.4% of our total corporate loans as of the same dates, in each case respectively.

Corporate Loans

Corporate loans accounted for 86.3%, 80.2%, 79.1% and 75.8% of total loans and advances to customers as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.

Corporate Loans by Contract Maturity

The following table sets forth corporate loans by contract maturity as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Medium- and long-term loans (over one year)	21,943.9	45.0%	32,709.9	45.0%	41,222.5	48.3%	44,815.9	50.0%
Short-term loans (one year or less)	26,810.6	55.0%	39,926.4	55.0%	44,049.1	51.7%	44,785.4	50.0%
Total corporate loans	**48,754.5**	**100.0%**	**72,636.3**	**100.0%**	**85,271.6**	**100.0%**	**89,601.3**	**100.0%**

As of December 31, 2014, 2015 and 2016 and June 30, 2017, medium- and long-term loans accounted for 45.0%, 45.0%, 48.3% and 50.0% of total corporate loans, respectively. The increase in medium- and long-term loans as a percentage of total corporate loans primarily reflected our efforts to adjust the composition of our loan portfolio to increase the proportion of medium- and long-term loans.

Corporate Loans by Size of Borrowers

The following table sets forth corporate loans by size of borrowers as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Small and micro enterprises[1]	23,858.4	48.9%	37,746.4	52.0%	49,133.9	57.6%	57,005.3	63.6%
Medium enterprises[1]	15,732.5	32.3%	23,929.4	32.9%	21,241.0	24.9%	22,166.7	24.7%
Large enterprises[1]	9,163.6	18.8%	10,960.5	15.1%	14,896.7	17.5%	10,429.3	11.7%
Total corporate loans	**48,754.5**	**100.0%**	**72,636.3**	**100.0%**	**85,271.6**	**100.0%**	**89,601.3**	**100.0%**

Note:

(1) Corporate borrowers are classified into large, medium, and small and micro enterprises in accordance with the Provision on the Standards for the Classification of Small and Medium Enterprises (《中小企業劃型標準規定》).

As of December 31, 2014, 2015 and 2016 and June 30, 2017, loans to small and micro enterprises accounted for 48.9%, 52.0%, 57.6% and 63.6% of total corporate loans, respectively. The increase in loans to small and micro enterprises as a percentage of total corporate loans primarily reflected our efforts to grow our small and micro enterprise business by launching various loan products to suit the needs of small and micro enterprises from time to time.

Corporate Loans by Product Type

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

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Working capital loans	32,207.7	66.1%	50,539.3	69.6%	59,994.1	70.4%	63,015.3	70.3%
Fixed asset loans	15,411.2	31.6%	20,980.5	28.9%	25,102.0	29.4%	26,038.9	29.1%
Others[1]	1,135.6	2.3%	1,116.5	1.5%	175.5	0.2%	547.1	0.6%
Total corporate loans	**48,754.5**	**100.0%**	**72,636.3**	**100.0%**	**85,271.6**	**100.0%**	**89,601.3**	**100.0%**

Note:

(1) Primarily consists of advances under bank acceptance bills.

As of December 31, 2014, 2015 and 2016, working capital loans accounted for 66.1%, 69.6%, 70.4% of total corporate loans, respectively. The increase in working capital loans as a percentage of total corporate loans primarily reflected (i) increased market demand for working capital loans, and (ii) our efforts to develop small and micro enterprises businesses, while small and micro enterprises sought financing primarily to meet their working capital needs. The proportion of working capital loans remained relatively stable at 70.3% of total corporate loans as of June 30, 2017.

Fixed asset loans increased by 36.1% from RMB15,411.2 million as of December 31, 2014 to RMB20,980.5 million as of December 31, 2015, and further increased by 19.6% to RMB25,102.0 million as of December 31, 2016. As of June 30, 2017, fixed asset loans amounted to RMB26,038.9 million. Fixed asset loans increased primarily because we increased lending for infrastructure projects in Gansu province.

Other loans decreased from RMB1,116.5 million as of December 31, 2015 to RMB175.5 million as of December 31, 2016 and RMB547.1 million as of June 30, 2017, primarily reflecting decreases in bank acceptance bills issued.

Corporate Loans by Industry

The following table sets forth corporate loans by industry as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Wholesale and retail	8,298.9	17.0%	14,704.2	20.2%	14,972.7	17.6%	16,079.2	17.9%
Manufacturing	8,911.4	18.3%	10,971.3	15.1%	14,727.8	17.3%	15,083.3	16.8%
Agriculture, forestry, animal husbandry and fishery	3,069.5	6.3%	8,273.4	11.4%	14,226.4	16.7%	14,656.3	16.4%
Construction	6,622.2	13.6%	7,680.0	10.6%	9,248.9	10.8%	11,497.1	12.8%
Real estate	4,331.5	8.9%	8,055.7	11.1%	8,819.3	10.3%	9,804.9	10.9%
Mining	3,998.5	8.2%	5,320.4	7.3%	6,814.5	8.0%	6,360.0	7.1%
Water, environment and public facility management	2,593.0	5.3%	4,218.0	5.8%	3,797.1	4.5%	4,106.1	4.6%
Cultural, sports and entertainment	911.2	1.9%	1,955.8	2.7%	2,387.6	2.8%	2,506.7	2.8%
Leasing and business services	2,919.5	6.0%	4,413.2	6.1%	3,278.8	3.8%	2,157.6	2.4%
Electricity, heating power, gas and water production and supply	1,322.3	2.7%	1,651.7	2.3%	1,892.5	2.2%	1,987.6	2.2%
Transportation, storage and postal services	2,448.1	5.0%	2,334.5	3.2%	2,149.1	2.5%	1,738.5	2.0%
Education	494.0	1.0%	606.8	0.8%	1,120.6	1.3%	1,187.0	1.3%
Accommodation and catering	890.5	1.8%	999.5	1.4%	1,076.9	1.3%	1,137.3	1.3%
Finance	—	—	—	—	0.6	0.0%	600.0	0.7%
Health and social services	867.3	1.8%	426.5	0.6%	408.8	0.5%	266.8	0.3%
Resident and other services	96.5	0.2%	236.5	0.3%	199.2	0.2%	249.1	0.3%
Scientific research, technical services and geological prospecting	244.1	0.5%	128.0	0.2%	78.6	0.1%	83.4	0.1%
Information transmission, computer services and software	56.0	0.1%	97.8	0.1%	63.7	0.1%	75.4	0.1%

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Public administration, social security and social organizations	680.0	1.4%	563.0	0.8%	8.5	0.0%	25.0	0.0%
Total corporate loans	**48,754.5**	**100.0%**	**72,636.3**	**100.0%**	**85,271.6**	**100.0%**	**89,601.3**	**100.0%**

Loans to borrowers in the wholesale and retail; manufacturing; agriculture, forestry, animal husbandry and fishery; construction; and real estate industries represented the largest components of our corporate loan portfolio. Loans to these industries accounted for 64.1%, 68.4%, 72.7% and 74.8% of total corporate loans as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.

Loans to borrowers in the wholesale and retail industry as a percentage of total corporate loans increased from 17.0% as of December 31, 2014 to 20.2% as of December 31, 2015, primarily because of the growth in our small and micro enterprise customers, many of which operate in the wholesale and retail industry. Loans to the wholesale and retail industry as a percentage of total corporate loans decreased to 17.6% as of December 31, 2016, primarily because we actively adjusted our corporate loan portfolio to increase the proportion of loans to borrowers in the agriculture, forestry, animal husbandry and fishery industry based on changes in national macro-economic policies. The proportion of loans to borrowers in the wholesale and retail industry remained relatively stable at 17.9% of total corporate loans as of June 30, 2017.

Loans to borrowers in the manufacturing industry as a percentage of total corporate loans decreased from 18.3% as of December 31, 2014 to 15.1% as of December 31, 2015, primarily reflecting lower market demand due to a slowdown in the growth of the PRC manufacturing industry. Loans to borrowers in the manufacturing industry as a percentage of total corporate loans increased to 17.3% as of December 31, 2016 as we increased lending to strategic customers with which we have maintained long-term business relationships. The proportion of loans to borrowers in the manufacturing industry remained relatively stable at 16.8% of total corporate loans as of June 30, 2017.

Loans to borrowers in the agriculture, forestry, animal husbandry and fishery industry accounted for 6.3%, 11.4%, 16.7% and 16.4% of total corporate loans as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively. Loans to this industry as a percentage of total corporate loans increased from 6.3% as of December 31, 2014 to 11.4% as of December 31, 2015, and further increased to 16.7% as of December 31, 2016, primarily reflecting our efforts to increase lending to agriculture-related industries.

Loans to borrowers in the construction industry as a percentage of total corporate loans decreased from 13.6% as of December 31, 2014 to 10.6% as of December 31, 2015, primarily because we actively adjusted our corporate loan portfolio to increase the proportion of loans to borrowers in the agriculture, forestry, animal husbandry and fishery industry based on changes in national macro-economic policies. Loans to borrowers in the construction industry as a percentage of total corporate loans increased to 10.8% as of December 31, 2016, and further increased to 12.8% as of June 30, 2017, primarily because we increased lending for infrastructure projects in Gansu province.

Loans to borrowers in the real estate industry as a percentage of total corporate loans increased from 8.9% as of December 31, 2014 to 11.1% as of December 31, 2015, primarily reflecting an increase in the financing needs of borrowers in this industry driven by increased urbanization in Gansu. The proportion of loans to borrowers in the real estate industry remained stable at 10.3% and 10.9% of total corporate loans as of December 31, 2016 and June 30, 2017.

Corporate Loans by Loan Amount

The following table sets forth corporate loans by single loan balance as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Below RMB10 million	5,758.6	11.8%	11,631.3	16.0%	13,586.9	15.9%	15,068.4	16.8%
RMB10 million (inclusive) to RMB50 million	15,823.9	32.4%	24,205.1	33.3%	27,189.3	31.9%	29,640.2	33.1%
RMB50 million (inclusive) to RMB100 million	6,481.4	13.3%	8,330.9	11.5%	9,717.8	11.4%	10,758.3	12.0%
RMB100 million (inclusive) to RMB300 million	13,400.6	27.5%	18,127.7	25.0%	19,641.6	23.0%	22,082.7	24.6%
RMB300 million (inclusive) to RMB500 million	5,790.0	11.9%	5,835.0	8.0%	9,279.7	10.9%	10,445.5	11.7%
Over RMB500 million (inclusive)	1,500.0	3.1%	4,506.3	6.2%	5,856.3	6.9%	1,606.2	1.8%
Total corporate loans	**48,754.5**	**100.0%**	**72,636.3**	**100.0%**	**85,271.6**	**100.0%**	**89,601.3**	**100.0%**

Corporate loans with a single loan balance of less than RMB10 million as a percentage of total corporate loans increased from 11.8% as of December 31, 2014 to 16.8% as of June 30, 2017, primarily reflecting our efforts to grow our small and micro enterprise business by launching loan products to suit the needs of small and micro enterprises from time to time.

Corporate loans with a single loan balance of RMB300 million or above as a percentage of total corporate loans increased from 14.2% as of December 31, 2015 to 17.8% as of December 31, 2016, primarily because we increased lending to strategic customers with which we have maintained long-term business relationships. Corporate loans with a single loan balance of RMB500 million or above as a percentage of total corporate loans decreased from 6.9% as of December 31, 2016 to 1.8% as of June 30, 2017, primarily because some of our large enterprise customers repaid their loans at maturity.

Retail Loans

Retail loans accounted for 4.5%, 6.4%, 7.3% and 8.9% of total loans and advances to customers as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.

Retail Loans by Product

The following table sets forth retail loans by product as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Personal business loans	1,404.8	55.1%	3,830.0	65.6%	3,696.7	46.8%	4,081.0	38.7%
Residential and commercial mortgage loans	515.3	20.2%	1,226.5	21.0%	2,501.2	31.6%	3,718.0	35.3%
Personal consumption loans	628.5	24.7%	779.4	13.4%	1,704.0	21.6%	2,747.2	26.0%
Total retail loans	**2,548.6**	**100.0%**	**5,835.9**	**100.0%**	**7,901.9**	**100.0%**	**10,546.2**	**100.0%**

Personal business loans constitute the largest component of retail loans. Personal business loans as a percentage of total retail loans increased from 55.1% as of December 31, 2014 to 65.6% as of December 31, 2015, primarily because we actively expanded our personal business loans business to meet market demand and grow our retail customer base. Personal business loans as a percentage of total retail loans decreased from 65.6% as of December 31, 2015 to 46.8% as of December 31, 2016 and further decreased to 38.7% as of June 30, 2017, primarily reflecting our efforts to increase the proportion of consumption loans and residential and commercial mortgage loans to optimize our loan portfolio and meet growing market demand.

Residential and commercial mortgage loans increased by 138.0% from RMB515.3 million as of December 31, 2014 to RMB1,226.5 million as of December 31, 2015, and further increased by 103.9% to RMB2,501.2 million as of December 31, 2016. As of June 30, 2017, residential and commercial mortgage loans amounted to RMB3,718.0 million. The increase in residential and commercial mortgage loans was primarily attributable to increased market demand for residential and commercial mortgage loans driven by increased urbanization in Gansu.

Personal consumption loans increased by 24.0% from RMB628.5 million as of December 31, 2014 to RMB779.4 million as of December 31, 2015, and further increased by 118.6% to RMB1,704.0 million as of December 31, 2016. As of June 30, 2017, personal consumption loans amounted to RMB2,747.2 million. The increase in personal consumption loans was primarily driven by our launch of various personal consumption loans products, such as Expedited Loans for Civil Servants (公務快貸), Salary e-Financing (薪e融) Loans and Consumption e-Financing (消e融) Loans.

Retail Loans by Loan Amount

The following table sets forth retail loans by single loan balance as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Below RMB50,000	61.3	2.4%	91.5	1.6%	117.9	1.5%	688.3	6.5%
RMB50,000 (inclusive) to RMB300,000	1,083.3	42.5%	1,720.5	29.5%	3,105.0	39.3%	3,955.5	37.5%
RMB300,000 (inclusive) to RMB1,000,000	639.4	25.1%	1,588.3	27.2%	2,102.0	26.6%	2,777.7	26.4%
RMB1,000,000 (inclusive) to RMB5,000,000	642.6	25.2%	2,076.0	35.6%	2,193.9	27.8%	2,512.8	23.8%
Over RMB5,000,000 (inclusive)	122.0	4.8%	359.6	6.1%	383.1	4.8%	611.9	5.8%
Total retail loans	**2,548.6**	**100.0%**	**5,835.9**	**100.0%**	**7,901.9**	**100.0%**	**10,546.2**	**100.0%**

Retail loans with a single loan balance of over RMB300,000 or above as a percentage of total retail loans increased from 55.1% as of December 31, 2014 to 68.9% as of December 31, 2015, primarily reflecting an increase in the proportion of personal business loans in our retail loan portfolio, as the principal amount of our personal business loan products generally exceeded RMB300,000.

Retail loans with a single loan balance of less than RMB300,000 as a percentage of total retail loans increased from 31.1% as of December 31, 2015 to 40.8% as of December 31, 2016, primarily reflecting an increase in the proportion of personal consumption loans in our retail loan portfolio, as the principal amount of our personal consumption loan products generally did not exceed RMB300,000.

Retail loans with a single loan balance of below RMB50,000 as a percentage of total retail loans increased from 1.5% as of December 31, 2016 to 6.5% as of June 30, 2017, primarily reflecting our launch of microcredit loan products in cooperation with Qianhai Webank Bank Co. Ltd. in April 2017. As of June 30, 2017, the balance of these products amounted to RMB532.8 million.

Discounted Bills

The discounted bills as a percentage of total loans and advances to customers was 9.2%, 13.4%, 13.6% and 15.3% as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.

The following table sets forth discounted bills by product as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Bank acceptance bills	5,192.4	100.0%	6,790.3	55.9%	5,649.1	38.5%	10,436.0	57.9%
Commercial acceptance bills	—	—	5,364.2	44.1%	9,032.5	61.5%	7,586.4	42.1%
Total discounted bills	**5,192.4**	**100.0%**	**12,154.5**	**100.0%**	**14,681.6**	**100.0%**	**18,022.4**	**100.0%**

Our discounted bills include bank acceptance bills and commercial acceptance bills. We launched our commercial acceptance bill business in May 2015. Total discounted bills amounted to RMB5,192.4 million, RMB12,154.5 million, RMB14,681.6 million and RMB18,022.4 million as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively. The increases in discounted bills were primarily attributable to our efforts to increase the proportion of discounted bills, which have high liquidity, in our asset portfolio.

The balance of commercial acceptance bills as a percentage of bill balances decreased from 61.5% as of December 31, 2016 to 42.1% as of June 30, 2017, primarily reflecting our increased purchase of bank acceptance bills based on market conditions.

Loans and Advances to Customers by Geographic Location

We classify loans and advances to customers based on the geographic location of the branch or sub-branch that originates the loan. The following table sets forth loans and advances to customers by geographic location as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Lanzhou	20,826.9	36.9%	34,119.7	37.6%	37,247.6	34.5%	41,575.2	35.2%
Dingxi	2,918.7	5.2%	8,014.2	8.8%	11,515.4	10.7%	11,313.2	9.6%
Pingliang	5,342.7	9.5%	7,609.0	8.4%	8,450.5	7.8%	9,522.7	8.1%
Baiyin	4,901.5	8.7%	6,045.8	6.7%	6,566.3	6.1%	8,205.2	6.9%
Tianshui	2,907.4	5.1%	4,914.0	5.4%	6,007.2	5.6%	7,252.8	6.1%
Wuwei	2,562.7	4.5%	4,723.8	5.2%	6,030.6	5.6%	6,475.3	5.5%
Jiayuguan	3,124.3	5.5%	3,951.4	4.3%	6,881.4	6.4%	6,324.8	5.4%
Zhangye	2,225.6	3.9%	3,729.2	4.1%	4,473.1	4.1%	5,638.8	4.8%
Jiuquan	3,126.9	5.5%	4,220.0	4.7%	5,254.7	4.9%	5,416.4	4.6%
Longnan	2,523.0	4.5%	3,615.7	4.0%	4,459.9	4.1%	4,981.4	4.2%
Qingyang	2,921.5	5.2%	4,494.0	5.0%	4,683.6	4.3%	4,768.7	4.0%
Linxia	1,530.1	2.7%	2,416.0	2.7%	2,991.0	2.8%	3,214.7	2.7%
Jinchang	945.8	1.7%	1,873.5	2.1%	2,359.1	2.2%	2,357.3	2.0%
Gannan	638.4	1.1%	900.4	1.0%	934.7	0.9%	1,123.4	0.9%
Total loans and advances to customers	**56,495.5**	**100.0%**	**90,626.7**	**100.0%**	**107,855.1**	**100.0%**	**118,169.9**	**100.0%**

As of December 31, 2014, 2015 and 2016 and June 30, 2017, loans originated in Lanzhou constituted the largest component of our loan portfolio, accounting for 36.9%, 37.6%, 34.5% and 35.2% of total loans and advances to customers, respectively.

In August 2015, we began to extend poverty reduction loans in Dingxi as part of a government-led poverty reduction initiative. As a result, loans originated in Dingxi increased by 174.6% from RMB2,918.7 million as of December 31, 2014 to RMB8,014.2 million as of December 31, 2015, and further increased by 43.7% to RMB11,515.4 million as of December 31, 2016. As of June 30, 2017, loans originated in Dingxi amounted to RMB11,313.2 million.

Loans and Advances to Customers by Type of Collateral

The following table sets forth loans and advances to customers by type of collateral as of the dates indicated. If a loan is secured by multiple forms of collateral, the classification is based on the primary form of collateral.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Collateralized loans	27,585.5	48.8%	42,513.9	46.9%	45,547.3	42.2%	50,324.0	42.6%
Pledged loans	4,967.9	8.8%	6,719.7	7.4%	8,436.1	7.8%	9,061.3	7.7%
Guaranteed loans	23,375.7	41.4%	35,614.5	39.3%	42,583.0	39.5%	48,323.2	40.9%
Unsecured loans	566.4	1.0%	5,778.6	6.4%	11,288.7	10.5%	10,461.4	8.8%
Total loans and advances to customers	**56,495.5**	**100.0%**	**90,626.7**	**100.0%**	**107,855.1**	**100.0%**	**118,169.9**	**100.0%**

As of December 31, 2014, 2015 and 2016 and June 30, 2017, collateralized loans, pledged loans and guaranteed loans in the aggregate represented 99.0%, 93.6%, 89.5% and 91.2% of total loans and advances to customers, respectively. Collateralized loans and pledged loans are subject to loan-to-value ratio limits based on the type of collateral. We usually only accept guarantees provided by listed companies or guarantee companies. We evaluate a guarantee company based on its size, credit history and risk-resistance level, as well as the value and quality of any collateral provided by the borrower.

Unsecured loans increased by 920.2% from RMB566.4 million as of December 31, 2014 to RMB5,778.6 million as of December 31, 2015, and further increased by 95.4% to RMB11,288.7 million as of December 31, 2016. The increases were primarily due to our extension of unsecured poverty reduction loans. Unsecured loans decreased to RMB10,461.4 million as of June 30, 2017, primarily because we required borrowers of unsecured loans to provide account receivables or shares as collateral for their loans to reduce our credit risk exposure.

Borrower Concentration

PRC banking laws and regulations impose a lending limit of 10% of our regulatory capital to any single borrower. The following table sets forth the 10 largest single borrowers (excluding group borrowers) as reported to the PRC regulators as of June 30, 2017, and the balance of loans to these borrowers. All of these loans were classified as performing.

	Industry	Loan balances	% of total loans	% of regulatory capital(1)
		(in millions of RMB, except percentages)		
Borrower A	Mining	1,000.0	0.9%	4.9%
Borrower B	Real estate	967.8	0.8%	4.7%
Borrower C	Manufacturing	876.4	0.8%	4.2%
Borrower D	Mining	750.0	0.6%	3.6%
Borrower E	Cultural, sports and entertainment	717.4	0.6%	3.5%
Borrower F	Construction	699.0	0.6%	3.4%
Borrower G	Manufacturing	600.0	0.5%	2.9%
Borrower H	Real estate	600.0	0.5%	2.9%
Borrower I	Leasing and business services	600.0	0.5%	2.9%
Borrower J	Leasing and business services	594.0	0.5%	2.9%
Total		**7,404.6**	**6.3%**	**35.9%**

Note:

(1) Represents loan balances as a percentage of our regulatory capital, calculated in accordance with the requirements of Capital Administrative Measures (資本管理辦法) and based on our financial statements prepared in accordance with PRC GAAP. See "Financial Information—Capital Resources—Capital Adequacy".

Under PRC banking laws and regulations, the aggregate amount of credit extended to any single group borrower may not exceed 15% of our net regulatory capital. The following table sets forth the 10 largest group borrowers as reported to the PRC regulators as of June 30, 2017 and the credit amount and balance of loans extended to these borrowers. All of these loans were classified as performing.

	Industry	Loan balances	% of total loans	Credit amount(1)	% of regulatory capital(2)
		(in millions of RMB, except percentages)			
Group A	Mining	1,500.0	1.3%	1,500.0	7.3%
Group B	Manufacturing	—	—	1,240.0	6.0%
Group C	Manufacturing	—	—	1,000.0	4.8%
Group D	Mining	490.0	0.4%	993.3	4.8%
Group E	Real estate	979.8	0.8%	979.8	4.8%
Group F	Mining	950.0	0.8%	950.0	4.6%
Group G	Culture, sports and entertainment	717.4	0.6%	917.4	4.5%
Group H	Manufacturing	916.5	0.8%	916.5	4.5%
Group I	Manufacturing	—	—	907.0	4.4%
Group J	Construction	470.0	0.4%	895.7	4.3%
Total		**6,023.7**	**5.1%**	**10,299.7**	**50.0%**

Notes:

(1) Calculated in accordance with the applicable CBRC requirements by (i) adding up the amount of all on- and off-balance sheet credit extended to a group borrower, and (ii) deducting the total amount of pledged deposits, certificates of deposits and treasury bonds of the group borrower.

(2) Represents credit amount as a percentage of our regulatory capital, calculated in accordance with the requirements of Capital Administrative Measures (資本管理辦法) and based on our financial statements prepared in accordance with PRC GAAP. See "Financial Information—Capital Resources—Capital Adequacy".

Maturity Profile of Loans and Advances to Customers

The following table sets forth loans and advances to customers by remaining maturity as of June 30, 2017.

	Indefinite[(1)]	Repayable on demand[(2)]	Due in three months or less	Due between three months and one year	Due between one and five years	Due over five years	Total
				(in millions of RMB)			
Corporate loans							
Working capital loans	2,043.4	598.7	9,368.1	32,605.1	17,466.5	933.5	63,015.3
Fixed asset loans	220.0	170.3	101.1	5,645.4	16,238.9	3,663.2	26,038.9
Others	547.1	—	—	—	—	—	547.1
Subtotal	**2,810.5**	**769.0**	**9,469.2**	**38,250.5**	**33,705.4**	**4,596.7**	**89,601.3**
Retail loans							
Personal business loans	180.4	18.7	966.5	2,201.2	702.7	11.5	4,081.0
Personal consumption loans	11.8	42.9	157.5	930.3	1,488.7	116.0	2,747.2
Residential and commercial mortgage loans	14.1	11.7	0.1	2.4	198.1	3,491.6	3,718.0
Subtotal	**206.3**	**73.3**	**1,124.1**	**3,133.9**	**2,389.5**	**3,619.1**	**10,546.2**
Discounted bills							
Bank acceptance bills	—	—	4,663.2	5,772.8	—	—	10,436.0
Commercial acceptance bills	—	—	—	7,586.4	—	—	7,586.4
Subtotal	**—**	**—**	**4,663.2**	**13,359.2**	**—**	**—**	**18,022.4**
Total loans and advances to customers	**3,016.8**	**842.3**	**15,256.5**	**54,743.6**	**36,094.9**	**8,215.8**	**118,169.9**

Notes:

(1): Refers to loans and advances to customers, including all the impaired loans as well as those overdue for more than one month.

(2): Refers to loans and advances to customers with no impairment but overdue for less than one month.

Loan Interest Rate Profile

Prior to July 20, 2013, China's commercial banks could set interest rates on loans and deposits within a permitted range of PBoC benchmark interest rates. On July 20, 2013, the PBoC removed the lower limits for RMB-denominated loans (excluding residential mortgage loans), allowing PRC commercial banks to freely set interest rates. Interest rates for personal residential mortgage loans must be at least 70% of PBoC benchmark loan interest rates, and interest rates of residential mortgage loans for second homes must not be lower than 110% of PBoC benchmark loan interest rates.

Asset Quality of our Loan Portfolio

We measure and monitor the asset quality of our loan portfolio through our loan classification system. We classify our loans using five-category loan classification standards based on CBRC guidelines.

Loan Classification Criteria

We apply criteria based on CBRC guidelines in classifying our loan portfolio. These criteria are designed to assess the likelihood of repayment by a borrower and the collectability of principal and interest on a loan.

Corporate Loans and Discounted Bills

We classify corporate loans and discounted bills primarily based on (i) the borrower's ability to repay the loan, (ii) the borrower's repayment history, (iii) the borrower's willingness to repay the loan, (iv) the profitability of the project financed by the loan, (v) guarantees provided for the loan, (vi) legal responsibilities for repayment of the loan, and (vii) loan management. Set forth below are the key factors for each loan classification, which is not intended to be a complete list of all factors we consider in classifying our loan portfolios.

Normal. We classify loans as "normal" if the borrowers can honor the terms of their loans, and there is no reason to doubt their ability to repay principal and interest in full on a timely basis.

Special mention. We classify loans as "special mention" if the borrowers are currently able to service the principal and interest of loans, but factors may adversely affect the borrowers' repayment ability in the future. These loans generally have "potential defects" but have not caused any losses. Loans classified as "special mention" are generally adversely affected by the following factors:

- decreases in cash flow and revenue or signs of insufficient liquidity;
- budget overruns, changes in construction designs or delays in the schedules of projects financed by the loan;
- failure of the borrower to use the loan for its intended purpose;
- adverse changes to the borrower's management team;
- adverse market or industry developments that may affect the borrower's operations or ability to repay the loan;
- the borrower incurs new debt to repay existing loans to maintain its credit assets;
- decrease in collateral value by over 20%; or
- adverse changes to the guarantor's operations or financial conditions, which may affect its repayment ability.

Substandard. We classify loans as "substandard" if the borrowers' ability to service their loans is in question and they cannot rely entirely on income generated from normal operations to repay principal and interest. Losses may occur even when guarantees are invoked. Loans are generally classified as "substandard" under the following circumstances:

- the borrower is experiencing prolonged operational or financial difficulties that affect its ability to continue its business;

- the borrower maliciously evades its debt obligations through means such as mergers, acquisitions or spin-off; or
- the borrower has obtained the loan through illegal means.

Doubtful. We classify loans as "doubtful" if the borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when guarantees are invoked. Loans are generally classified as "doubtful" under the following circumstances:

- the borrower's operations have been wholly or partially suspended for at least six months;
- the fixed asset projects financed by the loan are suspended or halted for at least six months;
- the borrower is insolvent and is unable to repay the loan;
- the borrower is being liquidated;
- the borrower is unable to fulfill its debt obligations or duly repay the principal and interest after restructuring;
- the borrower is unwilling to repay the loan and seeks to evade repayment, which may cause material losses to us; or
- we have taken legal measures but expect to incur significant losses even after exercising of legal remedies.

Loss. We classify a loan as "loss" if we cannot recover the principal and interest of the loan or can recover only a small portion of the loan after taking all possible measures or legal procedures. A loan classified as a "loss" generally exhibits the following characteristics:

- the borrower is bankrupt or dissolved;
- the borrower is dead or is declared missing or deceased under PRC law, and we cannot recover the loan after invoking the guarantee and asserting a claim against the borrower's estate;
- the borrower incurs significant losses caused by accidents or natural disasters and fails to obtain full reimbursement from the insurance company;
- the borrower has been punished for committing criminal offenses, and we are unable to recover the loan after exhausting all possible means;
- the borrower is unable to repay overdue debts; or
- we cannot recover the loan after exhausting all possible means because the statute of limitations with respect to the loan contract has expired, and the borrower refuses to acknowledge any contractual relationship.

Corporate Loans to Small and Micro Enterprises

In applying the loan classification criteria to loans to small and micro enterprises, we primarily consider, among others, the length of time payments of principal or interest are overdue and the collateral and guarantee provided.

The following table sets forth the key factors to be considered when classifying loans to small and micro enterprises:

Security type	Normal	Special mention	Substandard	Doubtful	Loss
Unsecured loans	Not due and no overdue interest	Principal of loans overdue for fewer than 30 days, or interest overdue for fewer than 90 days	Principal of loans overdue for 31 to 90 days, or interest overdue for 91 to 180 days	Principal of loans overdue for 91 to 365 days, or interest overdue for more than 181 days	Principal of loans overdue for more than 366 days
Guaranteed loans	Not due and no overdue interest	Principal of loans overdue for fewer than 90 days, or interest overdue for fewer than 180 days	Principal of loans overdue for 91 to 180 days, or interest overdue for more than 181 days	Principal of loans overdue for 181 to 365 days	Principal of loans overdue for more than 366 days
Collateralized loans	Not due and no overdue interest	Principal of loans overdue for fewer than 90 days, or interest overdue for fewer than 180 days	Principal of loans overdue for 91 to 365 days, or interest overdue for more than 181 days	Principal of loans overdue for more than 366 days	N/A
Pledged loans	Not due and no overdue interest	Principal of loans overdue for fewer than 90 days, or interest overdue for fewer than 180 days	Principal of loans overdue for 91 to 365 days, or interest overdue for more than 181 days	Principal of loans overdue for more than 366 days	N/A

Retail Loans

In applying the loan classification criteria to retail loans, we primarily consider, among others, the type of the retail loans, the length of time by which payments of principal or interest are overdue.

The following table sets forth the key factors to be considered when classifying retail loans.

Security type	Normal	Special mention	Substandard	Doubtful	Loss
Unsecured loans	Not due and no overdue interest	Principal of loans overdue for fewer than 30 days, or interest overdue for fewer than 90 days	Principal of loans overdue for 31 to 90 days, or interest overdue for 91 to 180 days	Principal of loans overdue for 91 to 365 days, or interest overdue for more than 181 days	Principal of loans overdue for more than 366 days
Guaranteed loans	Not due and no overdue interest	Principal of loans overdue for fewer than 90 days, or interest overdue for fewer than 180 days	Principal of loans overdue for 91 to 180 days, or interest overdue for more than 181 days	Principal of loans overdue for 181 to 365 days	Principal of loans overdue for more than 366 days
Collateralized loans	Not due and no overdue interest	Principal of loans overdue for fewer than 90 days, or interest overdue for fewer than 180 days	Principal of loans overdue for 91 to 365 days, or interest overdue for more than 181 days	Principal of loans overdue for more than 366 days	N/A
Pledged loans	Not due and no overdue interest	Principal of loans overdue for fewer than 90 days, or interest overdue for fewer than 180 days	Principal of loans overdue for 91 to 365 days, or interest overdue for more than 181 days	Principal of loans overdue for more than 366 days	N/A

Loans and Advances to Customers by Loan Classification

The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Normal	55,560.0	98.4%	86,494.9	95.4%	103,799.9	96.2%	112,566.6	95.3%
Special mention	717.8	1.3%	2,528.6	2.8%	2,106.3	2.0%	3,675.1	3.1%
Substandard	136.1	0.2%	780.6	0.9%	749.5	0.7%	494.8	0.4%
Doubtful	7.4	0.0%	767.1	0.8%	1,014.5	0.9%	1,128.4	1.0%
Loss	74.2	0.1%	55.5	0.1%	184.9	0.2%	305.0	0.2%
Total loans and advances to customers	**56,495.5**	**100.0%**	**90,626.7**	**100.0%**	**107,855.1**	**100.0%**	**118,169.9**	**100.0%**
Non-performing loan ratio[1]		**0.39%**		**1.77%**		**1.81%**		**1.63%**

Note:
(1) Calculated by dividing non-performing loans by total loans and advances to customers.

The following table sets forth total loans and advances to customers by product under the five-category loan classification system as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate loans								
Normal	47,872.4	84.7%	68,611.9	75.8%	81,498.3	75.5%	84,346.6	71.4%
Special mention	701.7	1.3%	2,506.5	2.8%	2,016.7	1.9%	3,518.5	3.0%
Substandard	120.6	0.2%	741.3	0.8%	666.3	0.6%	434.5	0.3%
Doubtful	2.1	0.0%	749.6	0.8%	949.9	0.9%	1,053.0	0.9%
Loss	57.7	0.1%	27.0	0.0%	140.4	0.2%	248.7	0.2%
Subtotal	**48,754.5**	**86.3%**	**72,636.3**	**80.2%**	**85,271.6**	**79.1%**	**89,601.3**	**75.8%**
Non-performing loan ratio(1)		**0.37%**		**2.09%**		**2.06%**		**1.94%**
Retail loans								
Normal	2,495.2	4.5%	5,728.5	6.2%	7,620.0	7.1%	10,198.6	8.6%
Special mention	16.1	0.0%	22.1	0.0%	89.6	0.1%	155.6	0.1%
Substandard	15.5	0.0%	39.3	0.1%	83.2	0.1%	60.3	0.1%
Doubtful	5.3	0.0%	17.5	0.0%	64.6	0.0%	75.4	0.1%
Loss	16.5	0.0%	28.5	0.1%	44.5	0.0%	56.3	0.0%
Subtotal	**2,548.6**	**4.5%**	**5,835.9**	**6.4%**	**7,901.9**	**7.3%**	**10,546.2**	**8.9%**
Non-performing loan ratio(1)		**1.46%**		**1.46%**		**2.43%**		**1.82%**
Discounted bills								
Normal	5,192.4	9.2%	12,154.5	13.4%	14,681.6	13.6%	18,021.4	15.3%
Special mention	—	—	—	—	—	—	1.0	0.0%
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Subtotal	**5,192.4**	**9.2%**	**12,154.5**	**13.4%**	**14,681.6**	**13.6%**	**18,022.4**	**15.3%**
Non-performing loan ratio(1)		**—**		**—**		**—**		**—**
Total loans and advances to customers	**56,495.5**	**100.0%**	**90,626.7**	**100.0%**	**107,855.1**	**100.0%**	**118,169.9**	**100.0%**
Non-performing loan ratio(1)		**0.39%**		**1.77%**		**1.81%**		**1.63%**

Note:

(1) Calculated by dividing non-performing loans by total loans and advances to customers of each product category.

Our non-performing loan ratio increased from 0.39% as of December 31, 2014 to 1.77% as of December 31, 2015, and 1.81% as of December 31, 2016, primarily reflecting the weakened repayment ability of borrowers caused by operational difficulties due to a slowdown in China's economic growth.

The non-performing loan ratio decreased to 1.63% as of June 30, 2017, primarily reflecting our enhanced efforts to recover loans from delinquent customers and customers with potential risks using the credit risk macro data early warning system, and a decrease in new non-performing loans driven by our efforts to optimize our customer structure by reducing loans to industries with high pollution, high energy consumption and over-capacity.

Changes in the Asset Quality of our Loan Portfolio

The following table sets forth the changes in the balance of non-performing loans as of the dates indicated.

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in millions of RMB, except percentages)			
Opening balance	81.6	217.7	1,603.2	1,948.9
Addition[1]	142.2	1,534.0	1,428.9	437.1
Deducted by				
Write-offs	—	44.0	—	—
Disposal	—	—	647.5	—
Recovered	6.1	104.5	435.7	457.8
Closing balance	**217.7**	**1,603.2**	**1,948.9**	**1,928.2**
Total loans and advances to customers	**56,495.5**	**90,626.7**	**107,855.1**	**118,169.9**
Non-performing loan ratio	**0.39%**	**1.77%**	**1.81%**	**1.63%**

Note:

(1) Primarily includes performing loans downgraded to non-performing loans.

The following table sets forth the migration ratio of our loan portfolio as of the dates indicated, calculated in accordance with applicable CBRC requirements.

	As of December 31,			As of June 30,
	2014	2015	2016	2017
Normal and special mention loans[1]	0.59%	2.50%	4.19%	0.68%
Normal loans[2]	1.57%	7.85%	6.79%	2.71%
Special mention loans[3]	23.59%	2.91%	14.34%	9.57%
Substandard loans[4]	100.00%	39.49%	94.38%	69.71%
Doubtful loans[5]	95.26%	93.07%	45.97%	21.94%

Notes:

(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 year and downgraded to non-performing classifications at the end of the year, and (ii) loans classified as special mention at the beginning date of the year and downgraded to non-performing classifications at the end of the year, and the denominator of which equals the sum of (i) the difference between the balance of normal loans at the beginning date of the year and the decrease, in the year, in the loans which were classified as normal at the beginning date of the year, and (ii) the difference between the balance of special mention loans at the beginning date of the year and the decrease in such loans in the year.

(2) Represents the 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 year 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 year and the decrease in such loans in the year.

(3) Represents the migration ratio of loans classified as special mention which were downgraded to other classifications. The special mention loan migration ratio represents a fraction, the numerator of which equals the loans which were classified as special mention at the beginning date of the year 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 year and the decrease in such loans in the year.

(4) Represents the 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 year 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 year and the decrease in such loans in the year.

(5) Represents the migration ratio of loans classified as doubtful which were downgraded to other classifications. The doubtful loan migration ratio represents a fraction, the numerator of which equals the loans classified as doubtful at the beginning date of the year and downgraded to other classifications, and the denominator of which equals the difference between the balance of doubtful loans at the beginning date of the year and the decrease in such loans in the year.

Non-performing Loans by Product

The following table sets forth non-performing loans by product as of the dates indicated.

	As of December 31,									As of June 30,		
	2014			2015			2016			2017		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)											
Corporate loans												
Working capital loans	75.8	34.8%	0.24%	781.3	48.7%	1.55%	1,548.5	79.4%	2.58%	1,631.9	84.6%	2.59%
Fixed asset loans	25.0	11.5%	0.16%	60.0	3.8%	0.29%	32.5	1.7%	0.13%	22.0	1.1%	0.08%
Others(2)	79.6	36.5%	7.01%	676.6	42.2%	60.60%	175.6	9.0%	100.00%	82.3	4.3%	15.04%
Subtotal	**180.4**	**82.8%**	**0.37%**	**1,517.9**	**94.7%**	**2.09%**	**1,756.6**	**90.1%**	**2.06%**	**1,736.2**	**90.0%**	**1.94%**
Retail loans												
Personal business loans	35.4	16.3%	2.52%	74.7	4.7%	1.95%	167.3	8.6%	4.53%	167.9	8.7%	4.11%
Personal consumption loans	1.5	0.7%	0.24%	10.0	0.6%	1.28%	8.4	0.4%	0.49%	11.0	0.6%	0.40%
Residential and commercial mortgage loans	0.4	0.2%	0.08%	0.6	0.0%	0.05%	16.6	0.9%	0.67%	13.1	0.7%	0.35%
Subtotal	**37.3**	**17.2%**	**1.46%**	**85.3**	**5.3%**	**1.46%**	**192.3**	**9.9%**	**2.43%**	**192.0**	**10.0%**	**1.82%**
Discounted bills	—	—	—	—	—	—	—	—	—	—	—	—
Total non-performing loans	**217.7**	**100.0%**	**0.39%**	**1,603.2**	**100.0%**	**1.77%**	**1,948.9**	**100.0%**	**1.81%**	**1,928.2**	**100.0%**	**1.63%**

Notes:

(1) Calculated by dividing non-performing loans by loans and advances to customers of each product category.

(2) Primarily consist of advances for bank acceptance bills.

The non-performing loan ratio of corporate loans increased from 0.37% as of December 31, 2014 to 2.09% as of December 31, 2015, primarily due to the weakened repayment ability of borrowers under working capital loans and bank acceptance bill customers due to a slowdown in China's economic growth. The non-performing loan ratio of corporate loans decreased slightly from 2.09% as of December 31, 2015 to 2.06% as of December 31, 2016, primarily because of an increase in our loans and advances, and our disposition of certain non-performing advances for bank acceptance bills. The non-performing loan ratio of corporate loans decreased to 1.94% as of June 30, 2017, primarily because of a decrease in new non-performing loans and our enhanced efforts to recover loans from delinquent customers and customers with potential risks and to reduce loans to industries with high pollution, high energy consumption and over-capacity.

The non-performing loan ratio of retail loans increased from 1.46% as of December 31, 2014 to 2.43% as of December 31, 2016, primarily due to the weakened repayment ability of borrowers of personal business loans due to a slowdown in China's economic growth. The non-performing loan ratio of retail loans decreased to 1.82% as of June 30, 2017, primarily due to our enhanced efforts to recover loans from delinquent customers and customers with potential risks.

Non-performing Corporate Loans by Industry

The following table sets forth non-performing corporate loans by industry as of the dates indicated.

	As of December 31,									As of June 30,		
	2014			2015			2016			2017		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)											
Wholesale and retail	56.1	31.1%	0.68%	989.6	65.2%	6.73%	661.9	37.7%	4.42%	616.8	35.5%	3.84%
Manufacturing	51.1	28.3%	0.57%	245.0	16.1%	2.23%	482.8	27.5%	3.28%	519.1	29.9%	3.44%
Agriculture, forestry, animal husbandry and fishery	29.8	16.5%	0.97%	97.9	6.5%	1.18%	223.8	12.7%	1.57%	334.0	19.2%	2.28%
Construction	—	—	—	38.3	2.5%	0.50%	124.9	7.1%	1.35%	74.5	4.3%	0.65%
Mining	1.3	0.7%	0.03%	15.2	1.0%	0.29%	103.0	5.9%	1.51%	62.0	3.6%	0.97%
Accommodation and catering	14.0	7.8%	1.57%	10.5	0.7%	1.05%	59.7	3.4%	5.54%	49.7	2.9%	4.37%
Transportation, storage and postal services	—	—	—	10.5	0.7%	0.45%	51.7	2.9%	2.41%	49.7	2.9%	2.86%
Leasing and business services	1.8	1.0%	0.06%	5.3	0.4%	0.12%	21.0	1.2%	0.64%	21.0	1.2%	0.97%
Information transmission, computer services and software	—	—	—	—	—	—	3.0	0.2%	4.71%	3.0	0.2%	3.98%
Real estate	—	—	—	—	—	—	12.5	0.7%	0.14%	2.0	0.1%	0.02%
Cultural, sports and entertainment	—	—	—	2.0	0.1%	0.10%	2.4	0.1%	0.10%	2.3	0.1%	0.09%
Electricity, heating power, gas and water production and supply	13.0	7.2%	0.98%	—	—	—	2.1	0.1%	0.11%	2.1	0.1%	0.11%
Education	12.0	6.7%	2.43%	—	—	—	5.0	0.3%	0.45%	—	—	—
Health and social services	—	—	—	3.6	0.2%	0.84%	2.8	0.2%	0.68%	—	—	—
Public administration, social security and social organizations	—	—	—	—	—	—	—	—	—	—	—	—
Resident and other services	1.3	0.7%	1.35%	—	—	—	—	—	—	—	—	—
Scientific research, technical services and geological prospecting	—	—	—	100.0	6.6%	78.13%	—	—	—	—	—	—
Water, environment and public facility management	—	—	—	—	—	—	—	—	—	—	—	—
Finance	—	—	N/A	—	—	N/A	—	—	—	—	—	—
Total non-performing corporate loans	**180.4**	**100.0%**	**0.37%**	**1,517.9**	**100.0%**	**2.09%**	**1,756.6**	**100.0%**	**2.06%**	**1,736.2**	**100.0%**	**1.94%**

Note:
(1) Calculated by dividing non-performing loans by loans and advances to customers in each industry.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, non-performing loans to borrowers in the wholesale and retail industry were RMB56.1 million, RMB989.6 million, RMB661.9 million and RMB616.8 million, accounting for 31.1%, 65.2%, 37.7% and 35.5% of total non-performing corporate loans, respectively. The non-performing loan ratio of borrowers in the wholesale and retail industry increased from 0.68% as of December 31, 2014 to 6.73% as of

December 31, 2015, primarily due to the weakened repayment ability of borrowers in the wholesale and retail industry due to a slowdown in China's economic growth. The non-performing loan ratio of borrowers in the wholesale and retail industry decreased from 6.73% as of December 31, 2015 to 4.42% as of December 31, 2016, and further decreased to 3.84% as of June 30, 2017, primarily attributable to (i) our enhanced efforts to recover non-performing loans, (ii) our adoption of stricter credit assessment standards in granting loans to borrowers in the wholesale and retail industry to reduce our risk exposure and (iii) our disposition of certain non-performing advances under bank acceptance bills in 2016.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, non-performing loans to borrowers in the manufacturing industry were RMB51.1 million, RMB245.0 million, RMB482.8 million and RMB519.1 million, accounting for 28.3%, 16.1%, 27.5% and 29.9% of total non-performing corporate loans, in each case respectively. As of December 31, 2014, 2015 and 2016 and June 30, 2017, the non-performing loan ratio of borrowers in the manufacturing industry was 0.57%, 2.23%, 3.28% and 3.44%, respectively. The increase in non-performing loan ratio was primarily due to the weakened repayment ability of borrowers in the manufacturing industry due to a slowdown in the growth of the PRC manufacturing industry.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, non-performing loans to borrowers in the agriculture, forestry, animal husbandry and fishery industry were RMB29.8 million, RMB97.9 million, RMB223.8 million and RMB334.0 million, accounting for 16.5%, 6.5%, 12.7% and 19.2% of total non-performing corporate loans, in each case respectively. As of December 31, 2014, 2015 and 2016 and June 30, 2017, the non-performing loan ratio of borrowers in the agriculture, forestry, animal husbandry and fishery industry was 0.97%, 1.18%, 1.57% and 2.28%, respectively. The increase in non-performing loan ratio was primarily due to deteriorating financial conditions and the weakened repayment ability of certain borrowers in this industry.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, non-performing loans to borrowers in the construction industry were nil, RMB38.3 million, RMB124.9 million and RMB74.5 million, accounting for nil, 2.5%, 7.1% and 4.3% of total non-performing corporate loans, in each case respectively. As of December 31, 2014, 2015 and 2016, the non-performing loan ratio of borrowers in the construction industry was nil, 0.50%, 1.35%, respectively. The increase in the non-performing loan ratio was primarily due to a longer repayment cycle of borrowers in the construction industry as the PRC government adjusted macroeconomic policies for the real estate industry. The non-performing loan ratio of borrowers in the construction industry decreased to 0.65% as of June 30, 2017, primarily because we increased lending for infrastructure projects in Gansu province and enhanced our efforts to recover non-performing loans.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, non-performing loans to borrowers in the mining industry were RMB1.3 million, RMB15.2 million, RMB103.0 million and RMB62.0 million, accounting for 0.7%, 1.0%, 5.9% and 3.6% of total non-performing corporate loans, in each case respectively. As of December 31, 2014, 2015 and 2016, the non-performing loan ratio of borrowers in the mining industry was 0.03%, 0.29%, 1.51%, respectively. The increase in the non-performing loan ratio of borrowers in the mining industry was primarily due to weakened repayment ability of some borrowers in this industry caused by their deteriorating financial conditions. The non-performing loan ratio of borrowers in the mining industry decreased to 0.97% as of June 30, 2017, primarily due to our enhanced efforts to recover non-performing loans.

Non-performing Loans by Geographic Location

The following table sets forth our non-performing loans by geographic location as of the dates indicated.

	As of December 31,									As of June 30,		
	2014			2015			2016			2017		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)											
Gansu province												
Lanzhou	31.8	14.6%	0.15%	1,108.5	69.1%	3.25%	711.3	36.5%	1.91%	441.6	22.9%	1.06%
Baiyin	84.5	38.8%	1.72%	148.3	9.3%	2.45%	357.4	18.3%	5.44%	416.2	21.6%	5.07%
Qingyang	15.0	6.9%	0.51%	129.4	8.1%	2.88%	373.3	19.2%	7.97%	336.4	17.4%	7.05%
Zhangye	—	—	—	21.5	1.3%	0.58%	77.7	4.0%	1.74%	153.1	7.9%	2.72%
Pingliang	86.4	39.7%	1.62%	23.5	1.5%	0.31%	74.4	3.8%	0.88%	105.2	5.5%	1.10%
Dingxi	—	—	—	0.6	0.0%	0.01%	55.6	2.9%	0.48%	94.0	4.9%	0.83%
Wuwei	—	—	—	—	—	—	91.4	4.7%	1.52%	92.9	4.8%	1.43%
Linxia	—	—	—	8.3	0.5%	0.34%	31.6	1.6%	1.06%	80.4	4.2%	2.50%
Jinchang	—	—	—	0.2	0.0%	0.01%	57.2	2.9%	2.42%	76.7	4.0%	3.25%
Jiayuguan	—	—	—	—	—	—	55.6	2.9%	0.81%	59.5	3.1%	0.94%
Jiuquan	—	—	—	161.3	10.1%	3.82%	48.9	2.5%	0.93%	59.7	3.1%	1.10%
Tianshui	—	—	—	1.6	0.1%	0.03%	14.5	0.7%	0.24%	12.5	0.6%	0.17%
Gannan	—	—	—	—	—	—	—	—	—	—	—	—
Longnan	—	—	—	—	—	—	—	—	—	—	—	—
Total non-performing loans	**217.7**	**100.0%**	**0.39%**	**1,603.2**	**100.0%**	**1.77%**	**1,948.9**	**100.0%**	**1.81%**	**1,928.2**	**100.0%**	**1.63%**

Note:

(1) Calculated by dividing non-performing loans by loans and advances to customers in each region.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the non-performing loan ratio of Lanzhou was 0.15%, 3.25%, 1.91% and 1.06%, respectively. The non-performing loan ratio increased from 0.15% as of December 31, 2014 to 3.25% as of December 31, 2015, primarily due to the weakened repayment ability of some borrowers due to a slowdown in China's economic growth. The non-performing loan ratio of borrowers in Lanzhou decreased from 3.25% as of December 31, 2015 to 1.91% as of December 31, 2016 and 1.06% as of June 30, 2017, primarily because we enhanced efforts to recover non-performing loans, and reduced loans to industries with high pollution, high energy consumption and over-capacity.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the non-performing loan ratio of borrowers in Baiyin was 1.72%, 2.45%, 5.44% and 5.07%, respectively. The increase in the non-performing loan ratio was primarily due to the weakened repayment ability of certain borrowers in the wholesale and retail industry due to a slowdown in China's economic growth.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the non-performing loan ratio of borrowers in Qingyang was 0.51%, 2.88%, 7.97% and 7.05%, respectively. The increase in the non-performing loan ratio primarily reflected the weakened repayment ability of certain borrowers due to a slowdown in China's economic growth.

Non-performing Loans by the Type of Collateral

The following table sets forth non-performing loans by the type of collateral as of the dates indicated.

	As of December 31,									As of June 30,		
	2014			2015			2016			2017		
	Amount	% of total	NPL ratio[1]	Amount	% of total	NPL ratio[1]	Amount	% of total	NPL ratio[1]	Amount	% of total	NPL ratio[1]
	(in millions of RMB, except percentages)											
Collateralized loans	150.4	69.1%	0.55%	616.1	38.4%	1.45%	1,029.0	52.8%	2.26%	967.2	50.2%	1.92%
Pledged loans	12.2	5.6%	0.25%	100.4	6.3%	1.49%	165.1	8.5%	1.96%	148.8	7.7%	1.64%
Guaranteed loans	55.1	25.3%	0.24%	883.2	55.1%	2.48%	749.7	38.5%	1.76%	802.1	41.6%	1.66%
Unsecured loans	—	—	—	3.5	0.2%	0.06%	5.1	0.2%	0.05%	10.1	0.5%	0.10%
Total non-performing loans	**217.7**	**100.0%**	**0.39%**	**1,603.2**	**100.0%**	**1.77%**	**1,948.9**	**100.0%**	**1.81%**	**1,928.2**	**100.0%**	**1.63%**

Note:
(1) Calculated by dividing non-performing loans by loans and advances to customers in each category.

The increases in the non-performing loan ratio of collateralized loans and pledged loans between December 31, 2014 and December 31, 2016 was primarily due to the weakened repayment ability of borrowers due to a slowdown in China's economic growth. As of June 30, 2017, the decrease in the non-performing loan ratio of collateralized loans and pledged loans was primarily attributable to our enhanced efforts to recover loans from delinquent customers and customers with potential risks.

The non-performing loan ratio of guaranteed loans increased from 0.24% as of December 31, 2014 to 2.48% as of December 31, 2015, primarily due to the weakened repayment ability of borrowers due to a slowdown in China's economic growth. The non-performing loan ratio of guaranteed loans decreased to 1.76% as of December 31, 2016, primarily reflecting our enhanced efforts to recover loans from delinquent customers and customers with potential risks. The non-performing loan ratio of guaranteed loans remained relatively stable at 1.66% as of June 30, 2017.

We extend unsecured loans to customers with relatively high credit ratings. We also extend unsecured poverty reduction loans in Dingxi as part of a government-led poverty reduction initiative. As of June 30, 2017, none of our poverty reduction loans were overdue. As of December 31, 2014, 2015 and 2016 and June 30, 2017, the non-performing loan ratio of unsecured loans remained relatively stable at nil, 0.06%, 0.05% and 0.10%, respectively.

Ten Largest Non-performing Borrowers

The following table sets forth borrowers with the ten largest non-performing loan balances outstanding as of June 30, 2017.

	Industry	Classification	Outstanding principal	% of total non-performing loans	% of regulatory capital(1)
			(in millions of RMB, except percentages)		
Borrower A	Manufacturing	Doubtful	150.0	7.8%	0.7%
Borrower B	Wholesale and retail	Doubtful	50.0	2.6%	0.3%
Borrower C	Manufacturing	Doubtful	47.7	2.4%	0.2%
Borrower D	Manufacturing	Substandard	30.0	1.6%	0.2%
Borrower E	Manufacturing	Doubtful	30.0	1.6%	0.2%
Borrower F	Manufacturing	Doubtful	25.9	1.3%	0.1%
Borrower G	Wholesale and retail	Doubtful	25.0	1.3%	0.1%
Borrower H	Wholesale and retail	Substandard	25.0	1.3%	0.1%
Borrower I	Accommodation and catering	Doubtful	25.0	1.3%	0.1%
Borrower J	Wholesale and retail	Substandard	25.0	1.3%	0.1%
Total			**433.6**	**22.5%**	**2.1%**

Note:

(1) Represents loan balances as a percentage of our regulatory capital, calculated in accordance with the requirements of Capital Administrative Measures. See "Financial Information—Capital Resources—Capital Adequacy".

Loan Aging Schedule

The following table sets forth the loan aging schedule for loans and advances to customers as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Loans not overdue	**55,981.2**	**99.1%**	**86,911.9**	**95.9%**	**105,591.4**	**97.9%**	**114,315.9**	**96.7%**
Loans past due for:								
1 to 90 days	378.9	0.7%	1,918.8	2.1%	390.7	0.4%	1,444.4	1.2%
91 days to 1 year	54.9	0.1%	1,435.3	1.6%	1,245.0	1.1%	1,442.9	1.2%
1 to 3 years	65.3	0.1%	353.2	0.4%	593.6	0.6%	930.0	0.9%
3 years or more	15.2	0.0%	7.5	0.0%	34.4	0.0%	36.7	0.0%
Subtotal	**514.3**	**0.9%**	**3,714.8**	**4.1%**	**2,263.7**	**2.1%**	**3,854.0**	**3.3%**
Total loans and advances to customers	**56,495.5**	**100.0%**	**90,626.7**	**100.0%**	**107,855.1**	**100.0%**	**118,169.9**	**100.0%**

Provision for Impairment Losses on Loans and Advances to Customers

We assess our loans for impairment, determine the provision for impairment losses, and recognize impairment losses on loans and advances to customers in accordance with IAS 39. Our loans are reported net of provision for impairment losses on our consolidated financial statements.

Where there exists objective evidence of impairment as a result of events occurring after the initial recognition of loans that affect the estimated future cash flows of loans, we perform individual assessments on significant loans with objective evidence of impairment to determine the provision for impairment losses. The provision for impairment losses of a loan is measured as the difference between the carrying amount and the estimated recoverable amount of the loan. The estimated recoverable amount represents the present value of the estimated future cash flow of the loan, including, among other things, the realizable value of the collateral up to the carrying amount.

We will collectively assess individual significant loans for which no evidence of impairment has been individually identified, including loans classified as "normal" and "special mention" for the purpose of determining the provision for impairment losses. We determine the provision for impairment losses of collectively assessed loans based on our historical loss experience with similar loan portfolios and current economic conditions.

The following table sets forth the provision for impairment losses on loans and advances to customer base on evaluation method as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	Allowance to loans(1)	Amount	Allowance to loans(1)	Amount	Allowance to loans(1)	Amount	Allowance to loans(1)
	(in millions of RMB, except percentages)							
Collectively assessed	900.4	1.60%	2,107.1	2.34%	3,046.0	2.86%	3,468.6	2.96%
Individually assessed	76.8	61.55%	312.7	46.11%	710.0	56.84%	779.0	67.58%
Total provision for impairment losses	**977.2**	**1.73%**	**2,419.8**	**2.67%**	**3,756.0**	**3.48%**	**4,247.6**	**3.59%**

Note:
(1) Calculated by dividing the amount of provision for impairment losses by total loans and advances to customers in each category.

Provision for Impairment Losses on Loans and Advances to Customers by Loan Classification

The following table sets forth the provision for impairment losses on loans and advances to customers by loan classification as of the dates indicated.

	As of December 31,									As of June 30,		
	2014			2015			2016			2017		
	Amount	% of total	Allowance to loans(1)	Amount	% of total	Allowance to loans(1)	Amount	% of total	Allowance to loans(1)	Amount	% of total	Allowance to loans(1)
	(in millions of RMB, except percentages)											
Normal	832.6	85.2%	1.50%	1,462.0	60.4%	1.69%	2,438.1	64.9%	2.35%	2,647.5	62.3%	2.35%
Special mention	22.3	2.3%	3.11%	169.2	7.0%	6.69%	191.3	5.1%	9.08%	332.1	7.8%	9.04%
Substandard	43.6	4.5%	32.08%	288.3	11.9%	36.93%	277.6	7.4%	37.04%	184.7	4.3%	37.33%
Doubtful	4.5	0.4%	59.97%	444.8	18.4%	57.98%	664.1	17.7%	65.46%	778.3	18.4%	68.98%
Loss	74.2	7.6%	100.00%	55.5	2.3%	100.00%	184.9	4.9%	100.00%	305.0	7.2%	100.00%
Total provision for impairment losses	**977.2**	**100.0%**	**1.73%**	**2,419.8**	**100.0%**	**2.67%**	**3,756.0**	**100.0%**	**3.48%**	**4,247.6**	**100.0%**	**3.59%**

Note:
(1) Calculated by dividing the amount of provision for impairment losses by total loans and advances to customers in each category.

The following table sets forth the provision for impairment losses on loans and advances to customers by product and loan classifications as of the dates indicated.

	As of December 31,									As of June 30,		
	2014			2015			2016			2017		
	Amount	% of total	Allowance to loans(1)	Amount	% of total	Allowance to loans(1)	Amount	% of total	Allowance to loans(1)	Amount	% of total	Allowance to loans(1)
	(in millions of RMB, except percentages)											
Corporate Loans												
Normal	717.3	73.4%	1.50%	1,160.1	47.9%	1.69%	1,915.1	51.0%	2.35%	1,984.6	46.7%	2.35%
Special mention	21.8	2.2%	3.11%	168.1	7.0%	6.71%	184.0	4.9%	9.12%	318.9	7.5%	9.07%
Substandard	38.7	4.0%	32.11%	274.9	11.4%	37.09%	247.0	6.6%	37.07%	162.5	3.8%	37.41%
Doubtful	1.3	0.1%	60.00%	434.6	18.0%	57.98%	623.1	16.6%	65.60%	726.5	17.1%	69.00%
Loss	57.7	5.9%	100.00%	27.0	1.1%	100.00%	140.4	3.7%	100.00%	248.8	5.9%	100.00%
Subtotal	**836.8**	**85.6%**	**1.72%**	**2,064.7**	**85.4%**	**2.84%**	**3,109.6**	**82.8%**	**3.65%**	**3,441.3**	**81.0%**	**3.84%**
Retail Loans												
Normal	37.4	3.8%	1.50%	96.1	4.0%	1.68%	178.0	4.7%	2.34%	238.8	5.6%	2.34%
Special mention	0.5	0.1%	3.00%	1.1	0.0%	5.08%	7.3	0.2%	8.16%	13.1	0.3%	8.43%
Substandard	4.9	0.5%	31.85%	13.4	0.5%	34.05%	30.6	0.8%	36.76%	22.2	0.5%	36.76%
Doubtful	3.2	0.3%	59.96%	10.2	0.4%	58.02%	41.0	1.1%	63.4%	51.8	1.3%	68.65%
Loss	16.5	1.7%	100.00%	28.5	1.2%	100.00%	44.5	1.2%	100.00%	56.2	1.3%	100.00%
Subtotal	**62.5**	**6.4%**	**2.45%**	**149.3**	**6.1%**	**2.56%**	**301.4**	**8.0%**	**3.81%**	**382.1**	**9.0%**	**3.62%**
Discounted Bills												
Normal	77.9	8.0%	1.50%	205.8	8.5%	1.69%	345.0	9.2%	2.35%	424.1	10.0%	2.35%
Special mention	—	—	N/A	—	—	N/A	—	—	N/A	0.1	0.0%	9.07%
Substandard	—	—	N/A	—	—	N/A	—	—	N/A	—	—	N/A
Doubtful	—	—	N/A	—	—	N/A	—	—	N/A	—	—	N/A
Loss	—	—	N/A	—	—	N/A	—	—	N/A	—	—	N/A
Subtotal	**77.9**	**8.0%**	**1.50%**	**205.8**	**8.5%**	**1.69%**	**345.0**	**9.2%**	**2.35%**	**424.2**	**10.0%**	**2.35%**
Total provision for impairment losses	**977.2**	**100.0%**	**1.73%**	**2,419.8**	**100.0%**	**2.67%**	**3,756.0**	**100.0%**	**3.48%**	**4,247.6**	**100.0%**	**3.59%**

Note:
(1) Calculated by dividing the amount of provision for impairment losses by total loans and advances to customers in each category.

Changes to the Provision for Impairment Losses on Loans and Advances to Customers

The following table sets forth the changes to the provision for impairment losses on loans and advances to customers as of the dates indicated.

	Amount
	(in millions of RMB)
As of January 1, 2014	**412.4**
Charge for the year	564.8
Write-offs for the year	—
As of December 31, 2014	**977.2**
Charge for the year	1,486.6
Write-offs for the year	(44.0)
As of December 31, 2015	**2,419.8**
Charge for the year	1,336.2
Write-offs for the year	—
As of December 31, 2016	**3,756.0**
Charge for the period	491.6
Write-offs for the period	—
As of June 30, 2017	**4,247.6**

Provision for Impairment Losses on Loans and Advances to Customers by Product

The following table sets forth provision for impairment losses on loans and advances to customers by product as of the dates indicated.

	As of December 31,									As of June 30,		
	2014			2015			2016			2017		
	Amount	% of total	Allowance to NPLs(1)	Amount	% of total	Allowance to NPLs(1)	Amount	% of total	Allowance to NPLs(1)	Amount	% of total	Allowance to NPLs(1)
	(in millions of RMB, except percentages)											
Corporate loans												
Working capital loans	534.9	54.7%	705.21%	1,271.1	52.5%	162.70%	2,344.3	62.4%	151.39%	2,652.1	62.4%	162.52%
Fixed asset loans	271.3	27.8%	1,085.01%	427.0	17.7%	711.64%	656.5	17.5%	2,018.91%	687.5	16.2%	3,122.75%
Others(2)	30.6	3.1%	38.51%	366.6	15.2%	54.19%	108.8	2.9%	62.00%	101.8	2.4%	123.77%
Subtotal	**836.8**	**85.6%**	**463.81%**	**2,064.7**	**85.4%**	**136.03%**	**3,109.6**	**82.8%**	**177.03%**	**3,441.4**	**81.0%**	**198.22%**
Retail loans												
Personal business loans	44.5	4.6%	125.64%	109.5	4.5%	146.48%	190.3	5.1%	113.76%	211.8	5.0%	126.18%
Personal consumption loans	10.2	1.0%	678.55%	18.8	0.8%	188.12%	45.3	1.2%	540.40%	72.4	1.7%	655.39%
Residential and commercial mortgage loans	7.8	0.8%	2,014.25%	21.0	0.8%	3,416.45%	65.8	1.7%	395.11%	97.9	2.3%	747.39%
Subtotal	**62.5**	**6.4%**	**167.64%**	**149.3**	**6.1%**	**174.88%**	**301.4**	**8.0%**	**156.70%**	**382.1**	**9.0%**	**199.00%**
Discounted bills												
Bank acceptance bills	77.9	8.0%	N/A	115.2	4.8%	N/A	132.7	3.5%	N/A	245.6	5.8%	N/A
Commercial acceptance bills	—	—	N/A	90.6	3.7%	N/A	212.3	5.7%	N/A	178.5	4.2%	N/A
Subtotal	**77.9**	**8.0%**	**N/A**	**205.8**	**8.5%**	**N/A**	**345.0**	**9.2%**	**N/A**	**424.1**	**10.0%**	**N/A**
Total provision for impairment losses	**977.2**	**100.0%**	**448.83%**	**2,419.8**	**100.0%**	**150.94%**	**3,756.0**	**100.0%**	**192.72%**	**4,247.6**	**100.0%**	**220.29%**

Notes:

(1) Calculated by dividing the amount of provision for impairment losses by non-performing loans in each category.

(2) Primarily consist of advances for bank acceptance bills.

Provision for Impairment Losses on Corporate Loans by Industry

The following table sets forth the provision on impairment losses on corporate loans by industry as of the dates indicated.

	As of December 31,									As of June 30,		
	2014			2015			2016			2017		
	Amount	% of total	Allowance to NPLs(1)	Amount	% of total	Allowance to NPLs(1)	Amount	% of total	Allowance to NPLs(1)	Amount	% of total	Allowance to NPLs(1)
	(in millions of RMB, except percentages)											
Wholesale and retail	149.3	17.8%	266.22%	733.1	35.5%	74.08%	785.6	25.2%	118.69%	853.5	24.7%	138.39%
Manufacturing	174.2	20.8%	340.64%	322.4	15.6%	131.61%	627.3	20.2%	129.92%	743.0	21.6%	143.14%
Agriculture, forestry, animal husbandry and fishery	56.5	6.8%	189.64%	198.3	9.6%	202.60%	454.0	14.6%	202.86%	565.8	16.3%	169.38%
Construction	99.3	11.9%	N/A	148.1	7.2%	386.47%	285.1	9.2%	228.19%	325.3	9.5%	436.61%
Real estate	66.5	8.0%	N/A	159.3	7.7%	N/A	226.4	7.3%	1,809.09%	244.8	7.1%	12,148.26%
Mining	64.2	7.7%	4,940.62%	120.8	5.9%	794.84%	254.2	8.2%	246.86%	231.9	6.8%	373.99%
Water, environment and public facility management	38.9	4.6%	N/A	76.9	3.7%	N/A	98.0	3.1%	N/A	96.6	2.8%	N/A
Transportation, storage and postal services	36.7	4.4%	N/A	43.2	2.1%	411.97%	83.4	2.7%	161.42%	81.1	2.4%	163.28%
Leasing and business services	44.4	5.3%	2,463.52%	77.0	3.7%	1,452.70%	87.2	2.8%	414.99%	65.1	1.9%	309.89%
Accommodation and catering	27.5	3.3%	196.38%	20.9	1.0%	198.10%	51.9	1.7%	86.89%	61.0	1.8%	122.72%
Cultural, sports and entertainment	13.7	1.6%	N/A	34.2	1.7%	1,712.21%	59.9	1.9%	2,531.84%	61.6	1.8%	2,649.99%
Electricity, heating power, gas and water production and supply	24.0	2.9%	184.64%	37.6	1.8%	N/A	45.8	1.5%	2,184.02%	50.2	1.5%	2,393.12%
Education	11.2	1.3%	93.18%	10.9	0.5%	N/A	28.1	0.9%	561.37%	27.9	0.8%	N/A
Finance	—	—	N/A	—	—	N/A	0.0	0.0%	N/A	14.1	0.4%	N/A
Resident and other services	1.9	0.2%	141.95%	4.0	0.2%	N/A	4.7	0.1%	N/A	5.9	0.2%	N/A
Health and social services	13.0	1.6%	N/A	8.5	0.4%	235.52%	12.3	0.4%	438.85%	6.4	0.2%	N/A
Information transmission, computer services and software	0.8	0.1%	N/A	1.6	0.1%	N/A	3.7	0.1%	124.32%	4.7	0.1%	156.79%
Scientific research, technical services and geological prospecting	4.5	0.5%	N/A	58.4	2.8%	58.37%	1.8	0.1%	N/A	1.9	0.1%	N/A
Public administration, social security and social organizations	10.2	1.2%	N/A	9.5	0.5%	N/A	0.2	0.0%	N/A	0.6	0.0%	N/A
Total provision for impairment losses on corporate loans	**836.8**	**100.0%**	**463.81%**	**2,064.7**	**100.0%**	**136.03%**	**3,109.6**	**100.0%**	**177.03%**	**3,441.4**	**100.0%**	**198.22%**

Note:

(1) Calculated by dividing the amount of provision for impairment losses by non-performing loans in each industry.

Provision for Impairment Losses on Loans and Advances to Customers by Geographic Location

The following table sets forth the provision for impairment losses on loans and advances to customers by geographic location as of the dates indicated.

	As of December 31,									As of June 30,		
	2014			2015			2016			2017		
	Amount	% of total	Allowance to NPLs[(1)]	Amount	% of total	Allowance to NPLs[(1)]	Amount	% of total	Allowance to NPLs[(1)]	Amount	% of total	Allowance to NPLs[(1)]
	(in millions of RMB, except percentages)											
Lanzhou	327.9	33.6%	1,030.01%	1,150.2	47.5%	103.77%	1,326.1	35.3%	186.42%	1,335.5	31.4%	302.41%
Baiyin	124.4	12.7%	147.35%	209.1	8.6%	140.99%	398.5	10.6%	111.50%	499.1	11.8%	119.93%
Qingyang	48.5	5.0%	323.58%	146.8	6.1%	113.46%	347.7	9.2%	93.14%	360.8	8.5%	107.26%
Dingxi	43.8	4.5%	N/A	137.1	5.7%	22,843.70%	318.1	8.5%	572.47%	348.9	8.2%	370.96%
Pingliang	138.8	14.2%	160.55%	153.9	6.3%	654.48%	260.8	6.9%	350.70%	321.9	7.6%	306.13%
Wuwei	38.4	3.9%	N/A	80.0	3.3%	N/A	186.4	5.0%	203.95%	241.6	5.7%	260.06%
Zhangye	33.4	3.4%	N/A	77.0	3.2%	357.65%	148.6	4.0%	191.21%	235.4	5.5%	153.72%
Jiayuguan	46.9	4.8%	N/A	67.4	2.8%	N/A	186.0	4.9%	334.78%	193.9	4.6%	325.91%
Tianshui	43.6	4.5%	N/A	83.9	3.5%	5,244.48%	149.0	4.0%	1,028.18%	180.1	4.2%	1,445.99%
Jiuquan	46.9	4.8%	N/A	161.2	6.7%	99.98%	146.2	3.9%	298.73%	169.7	4.0%	284.04%
Longnan	37.8	3.9%	N/A	61.2	2.5%	N/A	104.8	2.8%	N/A	117.8	2.8%	N/A
Linxia	23.0	2.3%	N/A	43.9	1.8%	530.48%	86.0	2.3%	272.43%	117.9	2.8%	146.62%
Jinchang	14.2	1.4%	N/A	31.8	1.3%	15,899.59%	75.8	2.0%	132.51%	98.6	2.3%	128.61%
Gannan	9.6	1.0%	N/A	16.3	0.7%	N/A	22.0	0.6%	N/A	26.4	0.6%	N/A
Provision for impairment losses	**977.2**	**100.0%**	**448.83%**	**2,419.8**	**100.0%**	**150.94%**	**3,756.0**	**100.0%**	**192.72%**	**4,247.6**	**100.0%**	**220.29%**

Note:
(1) Calculated by dividing the amount of provision for impairment losses by non-performing loans in each region.

Investment Securities and Other Financial Assets

As of December 31, 2014, 2015 and 2016 and June 30, 2017, investment securities and other financial assets were RMB62,011.4 million, RMB70,846.4 million, RMB87,116.2 million and RMB65,221.6 million, representing 37.5%, 33.4%, 35.5% and 24.2% of total assets, in each case respectively.

Investment securities and other financial assets primarily include debt securities, asset management plans issued by other financial institutions, trust plans, wealth management products and fund products. The following table sets forth components of investment securities and other financial assets as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Debt securities								
Financial assets at fair value through profit or loss	—	—	744.3	1.0%	539.6	0.6%	541.9	0.8%
Available-for-sale financial assets	—	—	1,417.3	2.0%	3,011.2	3.5%	6,064.8	9.3%
Held-to-maturity debt securities	1,852.1	3.0%	4,600.6	6.5%	6,729.1	7.7%	6,814.8	10.4%
Debt securities classified as receivables	—	—	—	—	29.4	0.0%	29.4	0.0%
Subtotal	**1,852.1**	**3.0%**	**6,762.2**	**9.5%**	**10,309.3**	**11.8%**	**13,450.9**	**20.5%**
Asset management plans	38,371.2	61.9%	46,813.3	66.1%	55,247.7	63.4%	40,269.0	61.9%
Trust plans	19,374.4	31.2%	17,153.2	24.2%	21,048.3	24.2%	10,979.7	16.8%
Wealth management products	2,403.7	3.9%	107.7	0.2%	104.5	0.1%	112.8	0.2%
Fund investments	10.0	0.0%	10.0	0.0%	406.4	0.5%	409.2	0.6%
Total investment securities and other financial assets, net	**62,011.4**	**100.0%**	**70,846.4**	**100.0%**	**87,116.2**	**100.0%**	**65,221.6**	**100.0%**

Investment securities and other financial assets increased by 14.2% from RMB62,011.4 million as of December 31, 2014 to RMB70,846.4 million as of December 31, 2015, and further increased by 23.0% to RMB87,116.2 million as of December 31, 2016. The increases were primarily due to our increased investments in financial assets to diversify our investment portfolio.

Investment securities and other financial assets decreased by RMB21,894.6 million from RMB87,116.2 million as of December 31, 2016 to RMB65,221.6 million as of June 30, 2017. This decrease primarily reflected the adjustment of our investment portfolio, including our sale of non-standard credit assets, such as asset management plans and trust plans, based on investment considerations, market conditions and other factors during the six months ended June 30, 2017.

Debt Securities Investments

As of December 31, 2014, 2015 and 2016 and June 30, 2017, debt securities investments accounted for 3.0%, 9.5%, 11.8% and 20.5% of net investment securities and other financial assets, respectively. We primarily invest in debt securities issued by the PRC government, PRC policy banks, PRC commercial banks and other financial institutions and corporations in the PRC.

The following table sets forth a breakdown of our debt securities investments as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Debt securities issued by policy banks	—	—	3,882.2	57.4%	4,385.8	42.5%	5,813.9	43.2%
Local government bonds	—	—	334.8	5.0%	1,469.7	14.3%	2,440.2	18.1%
Treasury bonds	—	—	—	—	1,902.5	18.5%	2,110.9	15.7%
Debt securities issued by corporate issuers	1,852.1	100.0%	1,851.8	27.4%	2,011.0	19.5%	1,781.4	13.3%
Debt securities issued by commercial banks and other financial institutions	—	—	693.4	10.2%	540.3	5.2%	1,304.5	9.7%
Debt securities investment, net	**1,852.1**	**100.0%**	**6,762.2**	**100.00%**	**10,309.3**	**100.0%**	**13,450.9**	**100.0%**

We sought to increase investments in treasury bonds, local government bonds and financial bonds issued by policy banks, which have higher liquidity and involve lower default risk, to better manage the duration of our investment portfolio and lower our risk exposure. As a result, net debt securities investments increased by 265.1% from RMB1,852.1 million as of December 31, 2014 to RMB6,762.2 million as of December 31, 2015, and further increased by 52.5% to RMB10,309.3 million as of December 31, 2016. As of June 30, 2017, our investments in debt securities amounted to RMB13,450.9 million.

The following table sets forth debt securities investments by remaining maturity as of June 30, 2017.

	Indefinite	Repayable on demand	Due in three months or less	Due between three months and one year	Due between one and five years	Due over five years	Total
	(in millions of RMB)						
Debt securities issued by policy banks	—	—	—	1,099.5	4,035.6	678.8	5,813.9
Treasury bonds	—	—	—	911.9	1,199.0	—	2,110.9
Debt securities issued by corporate issuers	—	—	69.0	29.4	1,485.0	198.0	1,781.4
Local government bonds	—	—	—	—	972.9	1,467.3	2,440.2
Debt securities issued by commercial banks and other financial institutions	—	—	91.5	644.6	568.4	—	1,304.5
Debt securities investments, net	**—**	**—**	**160.5**	**2,685.4**	**8,260.9**	**2,344.1**	**13,450.9**

The following table sets forth debt securities investments by fixed interest rate and floating interest rate as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Fixed interest rate	1,852.1	100.0%	6,662.0	98.5%	10,013.1	97.1%	13,149.9	97.8%
Floating interest rate	—	—	100.2	1.5%	296.2	2.9%	301.0	2.2%
Debt securities investments, net	**1,852.1**	**100.0%**	**6,762.2**	**100.0%**	**10,309.3**	**100.0%**	**13,450.9**	**100.0%**

Asset Management Plans

Net investments in asset management plans increased by 22.0% from RMB38,371.2 million as of December 31, 2014 to RMB46,813.3 million as of December 31, 2015, and further increased by 18.0% to RMB55,247.7 million as of December 31, 2016. The increases were primarily attributable to our increased investments in asset management plans to achieve higher investment returns while maintaining risks within acceptable levels. Net investments in asset management plans decreased to RMB40,269.0 million as of June 30, 2017, primarily reflecting our sale of asset management plans during the six months ended June 30, 2017, based on investment considerations, market conditions and other factors.

Trust Plans

Net investments in trust plans decreased by 11.5% from RMB19,374.4 million as of December 31, 2014 to RMB17,153.2 million as of December 31, 2015, primarily because certain trust plan investments made in 2014 matured in 2015. Net investments in trust plans increased by 22.7% from RMB17,153.2 million as of December 31, 2015 to RMB21,048.3 million as of December 31, 2016, primarily reflecting our increased investments in trust plans to achieve higher investment returns while maintaining risks within acceptable levels. Net investments in trust plans decreased to RMB10,979.7 million as of June 30, 2017, primarily reflecting our sale of trust plans during the six months ended June 30, 2017, based on investment considerations, market conditions and other factors.

Wealth Management Products

We invest in non-principal protected wealth management products. Net investments in wealth management products decreased by 95.5% from RMB2,403.7 million as of December 31, 2014 to RMB107.7 million as of December 31, 2015, and further decreased by 3.0% to RMB104.5 million as of December 31, 2016. Investments in wealth management products decreased primarily because we reduced investments in wealth management products as their yields decreased. As of June 30, 2017, investments in wealth management products was RMB112.8 million.

Fund Investment

We invest in funds managed by fund companies, which then invest our entrusted funds in debt securities. As of December 31, 2014, 2015 and 2016 and June 30, 2017, fund investments were RMB10 million, RMB10 million, RMB406.4 million and RMB409.2 million, respectively.

Investment Securities and Other Financial Assets by Investment Intention

Investment securities and other financial assets can be classified into (i) financial assets at fair value through profit or loss, (ii) available-for-sale financial assets, (iii) held-to-maturity investments, and (iv) debt securities classified as receivables, primarily based on investment intention. The following table sets forth investment securities and other financial assets by investment intention as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Debt securities classified as receivables	47,914.6	77.3%	60,237.3	85.0%	73,647.9	84.6%	47,576.4	72.9%
Available-for-sale financial assets	12,244.7	19.7%	5,264.3	7.4%	6,199.6	7.1%	10,288.5	15.8%
Held-to-maturity investments	1,852.1	3.0%	4,600.5	6.5%	6,729.1	7.7%	6,814.8	10.5%
Financial assets at fair value through profit or loss	—	—	744.3	1.1%	539.6	0.6%	541.9	0.8%
Total	**62,011.4**	**100.0%**	**70,846.4**	**100.0%**	**87,116.2**	**100.0%**	**65,221.6**	**100.0%**

Debt securities classified as receivables primarily include asset management plans, trust plans and wealth management products that are classified as receivables. Debt securities classified as receivables increased by 25.7% from RMB47,914.6 million as of December 31, 2014 to RMB60,237.3 million as of December 31, 2015, and further increased by 22.3% to RMB73,647.9 million as of December 31, 2016. The increases in debt securities classified as receivables were primarily due to our increased investments in asset management plans and trust plans to achieve higher investment returns. Debt securities classified as receivables decreased to RMB47,576.4 million as of June 30, 2017, primarily reflecting the adjustment of our investment portfolio, including our sale of non-standard credit assets, such as asset management plans and trust plans, based on investment considerations, market conditions and other factors during the six months ended June 30, 2017.

Available-for-sale financial assets primarily include debt securities, asset management plans, trust plans, wealth management products and public funds categorized as available-for-sale financial assets. Available-for-sale financial assets decreased by 57.0% from RMB12,244.7 million as of December 31, 2014 to RMB5,264.3 million as of December 31, 2015, primarily because we issued fewer guaranteed wealth management products. Available-for-sale financial assets increased by 17.8% from RMB5,264.3 million as of December 31, 2015 to RMB6,199.6 million as of December 31, 2016. As of June 30, 2017, available-for-sale financial assets were RMB10,288.5 million. The increases in available-for-sale financial assets were primarily due to our increased investments in treasury bonds and debt securities issued by policy banks with relatively higher liquidity and lower default risks.

Held-to-maturity investments primarily include debt securities issued by the PRC government, PRC policy banks, PRC commercial banks and other financial institutions and corporations in the PRC. Held-to-maturity investments increased by 148.4% from RMB1,852.1 million as of December 31, 2014 to RMB4,600.5 million as of December 31, 2015, and further increased by 46.3% to RMB6,729.1 million as of December 31, 2016. The increases in held-to-maturity investments primarily reflected our increased investments in treasury bonds, PRC government bonds and debt securities issued by policy banks with higher liquidity and lower default risk. As of June 30, 2017, held-to-maturity investments remained relatively stable at RMB6,814.8 million.

Financial assets at fair value through profit or loss primarily include debt securities categorized as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss decreased by 27.5% from RMB744.3 million as of December 31, 2015 to RMB539.6 million as of December 31, 2016, primarily because certain interbank certificates in which we invested reached maturity. As of June 30, 2017, financial assets at fair value through profit or loss remained relatively stable at RMB541.9 million.

Maturity Profile of Investment Portfolio

The following table sets forth investment securities and other financial assets by remaining maturity as of June 30, 2017.

	Repayable on demand	Due in three months or less	Due between three months and one year	Due between one and five years	Due over five years	Indefinite[1]	Total
	(in millions of RMB)						
Debt securities classified as receivables	—	11,331.0	16,640.1	17,841.4	1,763.9	—	47,576.4
Available-for-sale financial assets	—	372.2	3,974.1	3,680.5	1,947.5	314.2	10,288.5
Held-to-maturity investments	—	156.1	1,370.4	4,891.6	396.7	—	6,814.8
Financial assets at fair value through profit or loss	—	—	—	541.9	—	—	541.9
Total investment securities and other financial assets	**—**	**11,859.3**	**21,984.6**	**26,955.4**	**4,108.1**	**314.2**	**65,221.6**

Note:
(1) Refers to impaired investments, investments overdue for more than one month and equity investments.

Carrying Value and Market Value

All investment financial assets classified as available-for-sale financial assets and financial assets at fair value through profit or loss are stated at fair value. The following table sets forth the carrying value and market value of held-to-maturity investments as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	(in millions of RMB)							
Held-to-maturity investments	1,852.1	1,891.3	4,600.5	4,710.8	6,729.1	6,822.0	6,814.8	6,802.1

Investment Concentration

The following table sets forth our ten largest holdings of investment securities and other financial assets as of June 30, 2017.

	Nature	Risk level	Carrying value	% of total Investment portfolio	%of total shareholders' equity[1]	Fair value
	(in millions of RMB, except percentages)					
Investment A	Asset management plans	Non-principal-guaranteed	1,920.0	3.0%	12.5%	1,920.0

	Nature	Risk level	Carrying value	% of total Investment portfolio	%of total shareholders' equity(1)	Fair value
		(in millions of RMB, except percentages)				
Investment B	Asset management plans	Non-principal-guaranteed	1,600.0	2.5%	10.4%	1,600.0
Investment C	Asset management plans	Non-principal-guaranteed	1,470.0	2.3%	9.6%	1,470.0
Investment D	Asset management plans	Non-principal-guaranteed	1,323.0	2.0%	8.6%	1,323.0
Investment E	Asset management plans	Non-principal-guaranteed	1,300.0	2.0%	8.5%	1,300.0
Investment F	Asset management plans	Non-principal-guaranteed	1,100.0	1.7%	7.1%	1,100.0
Investment G	Asset management plans	Non-principal-guaranteed	1,000.0	1.5%	6.5%	1,000.0
Investment H	Asset management plans	Non-principal-guaranteed	1,000.0	1.5%	6.5%	1,000.0
Investment I	Asset management plans	Non-principal-guaranteed	1,000.0	1.5%	6.5%	1,000.0
Investment J	Asset management plans	Non-principal-guaranteed	1,000.0	1.5%	6.5%	1,000.0
Total			**12,713.0**	**19.5%**	**82.7%**	**12,713.0**

Note:
(1) See "Financial Information—Capital Resources—Shareholders' Equity" for details regarding the calculation of shareholders' equity .

Other Components of Assets

Other components of assets primarily include (i) cash and deposits with the central bank, (ii) deposits with banks and (iii) financial assets held under resale agreements.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, cash and deposits with the central bank accounted for 12.8%, 11.1%, 10.2% and 9.9% of total assets, respectively. Cash and deposits with the central bank primarily consist of cash, statutory deposit reserves and surplus deposit reserves. Statutory deposit reserves represent the minimum level of cash deposits that we are required to deposit with the PBoC, and are determined as a percentage of total deposits from customers. Surplus deposit reserves are deposits with the PBoC in excess of statutory deposit reserves.

We primarily use surplus deposit reserves for fund settlement purposes. As of December 31, 2014, 2015 and 2016 and June 30, 2017, cash and deposits with the central bank amounted to RMB21,172.5 million, RMB23,548.7 million, RMB25,079.1 million and RMB26,618.4 million, respectively. The increases in cash and deposits with the central bank were primarily attributable to increased statutory deposit reserves resulting from the continued growth in deposits from customers.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, deposits with banks accounted for 11.8%, 12.5%, 10.0% and 15.9% of total assets, respectively. We adjusted investments in deposits with banks based on changes in market interest rates to manage our liquidity. As of December 31, 2014, 2015 and 2016 and June 30, 2017, deposits with banks were RMB19,427.7 million, RMB26,573.8 million, RMB24,571.9 million and RMB42,774.9 million, respectively.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, financial assets held under resale agreements accounted for 3.0%, nil, 0.2% and 5.8% of total assets, respectively. Financial assets held under resale agreements decreased from RMB4,893.9 million as of December 31, 2014 to nil as of December 31, 2015 and RMB498.1 million as of December 31, 2016, primarily reflecting lower market interest rates and our adjustments of the scale of reverse repurchase transactions based on our liquidity position. Financial assets held under resale agreements increased from RMB498.1 million as of December 31, 2016 to RMB15,749.2 million as of June 30, 2017, primarily reflecting higher market interest rates and our adjustments of asset portfolio to increase the volume of reverse repurchase transactions.

Other assets increased by 37.3% from RMB3,692.0 million as of December 31, 2016 to RMB5,068.2 million as of June 30, 2017, primarily due to advance payments of RMB1,150.8 million made to JISCO Lanzhou Judong Real Estate Development Co., Ltd in connection with the purchase of the property rights to certain floors of the Bank of Gansu Tower.

LIABILITIES AND SOURCES OF FUNDS

As of December 31, 2014, 2015 and 2016 and June 30, 2017, our total liabilities amounted to RMB154,350.2 million, RMB199,836.0 million, RMB231,712.7 million and RMB253,986.5 million, respectively. The following table sets forth the components of total liabilities as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Deposits from customers	110,541.6	71.6%	141,020.6	70.6%	171,165.3	73.9%	186,931.5	73.6%
Deposits from banks and other financial institutions	37,049.6	24.0%	39,934.3	20.0%	35,777.4	15.4%	28,609.9	11.3%
Financial assets sold under repurchase agreements	2,010.4	1.3%	5,206.1	2.6%	4,580.5	2.0%	7,572.9	3.0%
Debt securities issued	—	—	5,903.0	2.9%	10,134.9	4.4%	21,456.4	8.4%
Borrowings from the central bank	2,511.8	1.6%	4,344.7	2.2%	5,692.9	2.4%	4,910.4	1.9%
Placements with banks and other financial institutions	80.0	0.1%	700.0	0.3%	—	—	50.0	0.0%
Other liabilities(1)	2,156.8	1.4%	2,727.3	1.4%	4,361.7	1.9%	4,455.4	1.8%
Total liabilities	**154,350.2**	**100.0%**	**199,836.0**	**100.0%**	**231,712.7**	**100.0%**	**253,986.5**	**100.0%**

Note:
(1) Primarily include interests payable, taxes payable, staff costs and deferred tax liabilities.

Deposits from Customers

Deposits from customers are the largest component of total liabilities. As of December 31, 2014, 2015 and 2016 and June 30, 2017, deposits from customers represented 71.6%, 70.6%, 73.9% and 73.6% of total liabilities, respectively.

We offer RMB-denominated demand and time deposit products to corporate and retail customers. The following table sets forth deposits from customers by product and customer type as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate deposits								
Demand deposits	34,435.5	31.1%	45,968.9	32.6%	56,499.7	33.0%	58,928.2	31.5%
Time deposits	7,734.1	7.0%	14,120.8	10.0%	20,603.3	12.0%	17,925.6	9.6%
Subtotal	**42,169.6**	**38.1%**	**60,089.7**	**42.6%**	**77,103.0**	**45.0%**	**76,853.8**	**41.1%**
Retail deposits								
Time deposits	22,158.9	20.0%	32,591.6	23.1%	43,494.8	25.4%	55,053.7	29.5%
Demand deposits	8,257.2	7.5%	18,024.2	12.8%	20,115.2	11.8%	23,025.4	12.3%
Subtotal	**30,416.1**	**27.5%**	**50,615.8**	**35.9%**	**63,610.0**	**37.2%**	**78,079.1**	**41.8%**
Pledged deposits	**22,971.1**	**20.8%**	**22,222.0**	**15.8%**	**18,059.6**	**10.6%**	**16,352.7**	**8.7%**
Others[1]	**14,984.8**	**13.6%**	**8,093.1**	**5.7%**	**12,392.7**	**7.2%**	**15,645.9**	**8.4%**
Total deposits from customers	**110,541.6**	**100.0%**	**141,020.6**	**100.0%**	**171,165.3**	**100.0%**	**186,931.5**	**100.0%**

Note:
(1) Primarily include deposits raised from principal-guaranteed wealth management products we issued and other investment vehicles.

Total deposits from customers increased by 27.6% from RMB110,541.6 million as of December 31, 2014 to RMB141,020.6 million as of December 31, 2015, and further increased by 21.4% to RMB171,165.3 million as of December 31, 2016. As of June 30, 2017, total deposits from customers amounted to RMB186,931.5 million. The increases in deposits from customers were primarily attributable to our enhanced marketing efforts to grow corporate deposits and retail deposits.

Corporate deposits accounted for 38.1%, 42.6%, 45.0% and 41.1% of total deposits from customers as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively. Corporate deposits increased by 42.5% from RMB42,169.6 million as of December 31, 2014 to RMB60,089.7 million as of December 31, 2015, and further increased by 28.3% to RMB77,103.0 million as of December 31, 2016. The increases in corporate deposits were primarily attributable to our enhanced marketing efforts to grow our customer base. As of June 30, 2017, corporate deposits remained relatively stable at RMB76,853.8 million.

Retail deposits accounted for 27.5%, 35.9%, 37.2% and 41.8% of total deposits from customers as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively. Retail deposits increased by 66.4% from RMB30,416.1 million as of December 31, 2014 to RMB50,615.8 million as of

December 31, 2015, and further increased by 25.7% to RMB63,610.0 million as of December 31, 2016. Retail deposits further increased to RMB78,079.1 million as of June 30, 2017. The increases in retail deposits were primarily attributable to the expansion of our branch network and electronic banking distribution channels, such as self-service banking and mobile banking, and our wider range of products and service and retail customer base.

Deposits from Customers by Geographic Location

We classify deposits from customers based on the geographic location of the outlets that take deposits. There is generally a high correlation between the location of the customers and the geographic location of the outlets taking the deposit. The following table sets forth deposits from customers by geographic location as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Lanzhou	62,539.7	56.6%	65,034.8	46.1%	77,639.1	45.4%	79,942.0	42.8%
Pingliang	5,476.3	5.0%	11,794.8	8.4%	13,446.2	7.8%	15,160.2	8.1%
Baiyin	8,616.4	7.8%	9,358.9	6.6%	10,858.5	6.3%	12,258.1	6.6%
Tianshui	3,149.6	2.8%	6,990.4	5.0%	8,610.3	5.0%	10,197.8	5.5%
Qingyang	3,454.5	3.1%	6,783.8	4.8%	8,554.0	5.0%	10,121.5	5.4%
Longnan	2,611.1	2.4%	5,670.3	4.0%	8,091.3	4.7%	9,508.0	5.1%
Jiuquan	4,171.6	3.8%	6,921.0	4.9%	8,402.3	4.9%	9,127.0	4.9%
Dingxi	4,906.4	4.4%	6,134.0	4.4%	8,027.9	4.7%	9,054.6	4.8%
Wuwei	2,209.8	2.0%	5,466.5	3.9%	7,128.9	4.2%	8,579.1	4.6%
Zhangye	2,341.0	2.1%	4,546.5	3.2%	5,287.4	3.1%	6,401.2	3.4%
Linxia	2,728.2	2.5%	3,862.7	2.7%	5,093.4	3.0%	6,226.5	3.3%
Jiayuguan	4,032.7	3.6%	4,454.8	3.2%	5,070.7	3.0%	4,377.6	2.3%
Jinchang	2,576.3	2.3%	2,460.6	1.7%	3,242.5	1.9%	4,120.3	2.2%
Gannan	1,728.0	1.6%	1,541.5	1.1%	1,712.8	1.0%	1,857.6	1.0%
Total deposits from customers	**110,541.6**	**100.0%**	**141,020.6**	**100.0%**	**171,165.3**	**100.0%**	**186,931.5**	**100.0%**

Maturity Profile of Deposits from Customers

The following table sets forth deposits from customers by remaining maturity as of June 30, 2017.

	Demand deposits		Due within 3 months		Due between 3 and 12 months		Due between 1 and 5 years		Due over 5 years		Total	
	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits
	(in millions of RMB, except percentages)											
Retail deposits	22,292.3	11.9%	2,486.7	1.4%	1,900.6	1.0%	51,392.6	27.5%	6.9	0.0%	78,079.1	41.8%
Corporate deposits	60,915.7	32.6%	2,976.6	1.6%	9,379.3	5.0%	3,582.2	1.9%	—	—	76,853.8	41.1%
Pledged deposits	15,482.9	8.3%	290.9	0.1%	519.4	0.3%	59.5	0.0%	—	—	16,352.7	8.7%
Others[(1)]	4,791.6	2.6%	8,118.1	4.4%	2,698.0	1.5%	38.2	0.0%	—	—	15,645.9	8.4%
Total deposits from customers	**103,482.5**	**55.4%**	**13,872.3**	**7.5%**	**14,497.3**	**7.8%**	**55,072.5**	**29.4%**	**6.9**	**0.0%**	**186,931.5**	**100.0%**

Note:
(1) Primarily include deposits raised from principal-guaranteed wealth management products we issued and other investment vehicles.

Corporate Deposits by Amount

The following table sets forth corporate deposits by amount as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Below RMB10 million	6,235.5	14.8%	8,182.6	13.6%	9,344.8	12.1%	7,831.8	10.2%
RMB10 million (inclusive) to RMB100 million	16,214.1	38.4%	21,341.6	35.5%	27,062.8	35.1%	23,847.6	31.0%
Over RMB100 million (inclusive)	19,720.0	46.8%	30,565.5	50.9%	40,695.4	52.8%	45,174.4	58.8%
Total corporate deposits	**42,169.6**	**100.0%**	**60,089.7**	**100.0%**	**77,103.0**	**100.0%**	**76,853.8**	**100.0%**

Retail Deposits by Amount

The following table sets forth retail deposits by amount as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Below RMB50,000	6,255.2	20.6%	10,646.1	21.0%	14,153.7	22.3%	14,959.6	19.2%
RMB50,000 (inclusive) to RMB200,000	12,345.5	40.6%	20,647.5	40.8%	27,188.7	42.7%	34,558.1	44.3%
RMB200,000 (inclusive) to RMB1,000,000	7,359.5	24.2%	12,458.1	24.6%	15,958.2	25.1%	19,471.6	24.9%
Over RMB1,000,000 (inclusive)	4,455.9	14.6%	6,864.1	13.6%	6,309.4	9.9%	9,089.8	11.6%
Total retail deposits	**30,416.1**	**100.0%**	**50,615.8**	**100.0%**	**63,610.0**	**100.0%**	**78,079.1**	**100.0%**

Debt Securities Issued

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the balance of outstanding debt securities amounted to nil, RMB5,903.0 million, RMB10,134.9 million and RMB21,456.4 million, respectively. The increases in outstanding debt securities were primarily due to our issuance of interbank certificates, tier-two capital bonds and financial bonds as set forth below.

Interbank Certificates

In 2015, we issued several tranches of zero-coupon interbank certificates in an aggregate principal amount of RMB7,740.0 million. These interbank certificates have terms of one month to six months and bear effective interest rates between 2.55% and 3.60% per annum.

In 2016, we issued several tranches of zero-coupon interbank certificates in an aggregate principal amount of RMB35,890.0 million. These interbank certificates have terms of one month to one year and bear effective interest rates between 2.55% and 4.82% per annum.

In the six months ended June 30, 2017, we issued several tranches of zero-coupon interbank certificates in an aggregate principal amount of RMB27,870.0 million. These interbank certificates have terms of one month to one year and bear effective interest rates between 4.00% and 5.31% per annum.

Tier-two Capital Bonds

In December 2015, we issued tier-two capital bonds in an aggregate principal amount of RMB3,200.0 million. The bonds have a term of 10 years and bear an interest rate of 5.10% per annum. We have an option to redeem the bonds on December 11, 2020 at par.

Financial Bonds

In March 2017, we issued financial bonds in an aggregate principal amount of RMB1,000.0 million. The bonds have a term of three years and bear an interest rate of 4.67% per annum.

In April 2017, we issued financial bonds in an aggregate principal amount of RMB1,000.0 million. The bonds have a term of five years and bear an interest rate of 5.00% per annum.

In May 2017, we issued financial bonds in an aggregate principal amount of RMB1,000.0 million. The bonds have a term of three years and bear an annual interest rate of 4.90% per annum.

Other Components of Liabilities

Other components of liabilities primarily include (i) deposits from banks and other financial institutions, (ii) borrowings from the central bank, and (iii) financial assets sold under repurchase agreements.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, deposits from banks and other financial institutions accounted for 24.0%, 20.0%, 15.4% and 11.3% of total liabilities, respectively. Deposits from banks and other financial institutions increased by 7.8% from RMB37,049.6 million as of December 31, 2014 to RMB39,934.3 million as of December 31, 2015, primarily because we increased borrowings from other financial institutions to fund our business growth.

Deposits from banks and other financial institutions decreased by 10.4% from RMB39,934.3 million as of December 31, 2015 to RMB35,777.4 million as of December 31, 2016, primarily because we reduced fund raising through deposits from banks and other financial institutions as a result of increased deposits from customers and our issuance of interbank certificates and tier-two capital bonds. Deposits from banks and other financial institutions further decreased to RMB28,609.9 million as of June 30, 2017, primarily because we reduced fund raising through deposits from banks and other financial institutions as a result of increased deposits from customers and our issuance of interbank certificates and financial bonds.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, borrowings from the central bank accounted for 1.6%, 2.2%, 2.4% and 1.9% of total liabilities, respectively. Borrowings from the central bank increased by 73.0% from RMB2,511.8 million as of December 31, 2014 to RMB4,344.7 million as of December 31, 2015, and further increased by 31.0% to RMB5,692.9 million as of December 31, 2016.

The increases in borrowings from the central bank primarily reflected our efforts to fund the growth of our small and micro enterprises businesses and bills-related business through borrowings from the PBoC. Borrowings from the central bank decreased to RMB4,910.4 million as of June 30, 2017, primarily because we repaid certain borrowings from the PBoC at maturity.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, financial assets sold under repurchase agreements accounted for 1.3%, 2.6%, 2.0% and 3.0% of total liabilities, respectively. Financial assets sold under repurchase agreements increased by 159.0% from RMB2,010.4 million as of December 31, 2014 to RMB5,206.1 million as of December 31, 2015, primarily because of our increased use of repurchase transactions to fund our business growth.

Financial assets sold under repurchase agreements decreased by 12.0% from RMB5,206.1 million as of December 31, 2015 to RMB4,580.5 million as of December 31, 2016, primarily because of our decreased use of repurchase transactions to fund our business growth as a result of increased deposits from customers and our issuance of interbank certificates and tier-two capital bonds. Financial assets sold under repurchase agreements increased to RMB7,572.9 million as of June 30, 2017, primarily because we engaged in more repurchase transactions to fund our business growth.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and accompanying notes included in this prospectus. Capital adequacy ratios discussed in this section are calculated in accordance with applicable CBRC guidelines and are based on PRC GAAP. The capital adequacy ratios discussed in this section are not part of our consolidated financial statements and have not been audited.

The following discussion and analysis contains forward-looking statements about events that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in "Forward-looking Statements" and "Risk Factors".

OVERVIEW

We are the only provincial city commercial bank in Gansu province, China. We ranked 2nd in total assets and 3rd in total deposits among banking institutions operating in Gansu as of June 30, 2017, according to the PBoC. We held an overall ranking of 11 among city commercial banks in China in 2016, according to the 2016 "GYROSCOPE" evaluation of China's commercial banks based on capability for stable development by the China Banking Association.

Our total assets increased from RMB165,100.1 million as of December 31, 2014 to RMB245,056.4 million as of December 31, 2016, representing a CAGR of approximately 21.8%. As of June 30, 2017, our total assets amounted to RMB269,354.6 million. From 2014 to 2016, our operating income increased from RMB3,602.4 million to RMB6,970.9 million, representing a CAGR of 39.1%; and our profit increased from RMB1,062.6 million to RMB1,921.0 million, representing a CAGR of 34.5%. In the six months ended June 30, 2016 and 2017, our operating income was RMB3,269.5 million and RMB4,050.5 million, and our profit was RMB716.8 million and RMB2,045.8 million, in each case respectively.

FACTORS AFFECTING RESULTS OF OPERATIONS

We believe that our business, financial condition and results of operations are primarily affected by the following factors:

Economic conditions in the PRC and Gansu Province

We generate most of our revenue in Gansu province, China. Accordingly, economic conditions in the PRC and, in particular, Gansu province, directly impact our results of operations and financial condition.

China's nominal GDP increased from RMB48,930 billion in 2011 to RMB74,413 billion in 2016, representing a CAGR of 8.8%, according to the NBSC. In addition, Gansu's nominal GDP increased from RMB502 billion in 2011 to RMB715 billion in 2016, representing a CAGR of 7.3%, according to the Bureau of Statistics of Gansu Province.

Economic growth in the PRC and Gansu has led to higher corporate financing activities and significant increases in personal wealth, which have driven the growth of the banking industries in China and Gansu province. From December 31, 2011 to December 31, 2016, total RMB-denominated loans and RMB-denominated deposits of the PRC banking industry increased at a CAGR of 14.0% and 13.5%, respectively, according to the PBoC. From December 31, 2012 to December 31, 2016, total assets and total liabilities of Gansu's banking industry increased at a CAGR of 15.7% and 15.4%, respectively, according to the Gansu Branch of CBRC.

After over 30 years of rapid growth, China's economy recently entered into a "New Normal" stage as China is transitioning from pursuing high GDP growth to reforming its economic structure. The slower economic growth may adversely affect the business, results of operations and financial condition of PRC commercial banks.

Interest Rate Environment

Net interest income represented 95.3%, 96.8%, 95.7%, 97.3% and 92.6% of our total operating income in 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, respectively. Net interest income depends on many factors beyond our control, such as benchmark interest rates set by the PBoC, regulations governing the PRC banking and financial industries, domestic and international economic and political conditions, and competition in the PRC banking industry.

The PBoC historically set interest rates on deposits and loans in China. In recent years, the PBoC has liberalized interest rates and promoted a market-oriented interest rate regime. In July 2013 and October 2015, the PBoC removed the floor for loan interest rates (excluding interest rates for personal residential mortgage loans) and the ceiling on deposit interest rates for financial institutions, respectively. The PBoC has also reduced benchmark loan and deposit interest rates many times over the past few years.

As of the Latest Practicable Date, the one-year benchmark lending interest rate and the one-year benchmark deposit interest rate for financial institutions were 4.35% and 1.50%, respectively. The PBoC may further adjust the interest rate mechanism in the future, which may materially affect our business, financial condition and results of operations.

Competition

We face intense competition in all aspects of our business. We compete primarily based on financial strength, risk management, asset quality, distribution network, customer base, brand recognition, product and service quality and pricing. We face competition primarily from city commercial banks, the five largest state-owned commercial banks, national joint-stock commercial banks and Postal Savings Bank of China Co., Ltd. that operate in Gansu province.

We also compete with other banking financial institutions (including rural credit cooperatives) and non-banking financial institutions (including securities companies, fund management companies and insurance companies).

In addition, Internet finance service providers exert competitive pressures on our businesses. We expect competition in the PRC banking industry to intensify in the future. Increased competition or an adverse change in our competitive position could lead to a reduction of business and a corresponding decrease in our revenues and profits.

Regulatory Environment

The PRC banking industry is highly regulated. The CBRC and PBoC regulate PRC commercial banks. PRC commercial banks are also subject to supervision and regulation of other regulatory bodies in the PRC, such as the SAFE, CSRC, CIRC and MOF.

Our business, financial condition and results of operations have been, and will continue to be, materially affected by changes in policies, laws and regulations relating to the PRC banking industry, including restrictions on the scope of business activities, control of taxable interests and fees and limits on lending to borrowers in specific industries or with respect to specific loan products.

For example, the CBRC has published regulations to enhance supervision over the extension of credit to the real estate industry, local government financing vehicles, wealth management products and interbank products. Any new requirements imposed by the CBRC, the PBoC or other governmental authorities may affect our business, financial condition and results of operations.

Development of China's Capital Markets and Internet-based Financing Service Platforms

China's recent initiatives to develop a multi-layered capital market by encouraging enterprises to issue bonds may affect the core lending businesses of PRC commercial banks. As more corporate borrowers issue debt securities at lower costs to meet their financing needs, demand for bank loans may decrease. On the other hand, the development of China's capital markets may allow us to expand our fee- and commission-based business, and broaden the scope of securities in which we invest.

China's traditional banking institutions also face new challenges and opportunities from innovations in financial products and technology, such as online wealth management products, third-party online payment platforms and Internet-based financing service platforms. These innovations in products and technologies may affect the competitive landscape of the PRC banking industry and impact the business, results of operations and financial condition of PRC commercial banks.

SELECTED FINANCIAL DATA

The table below sets forth our consolidated statements of profit or loss data for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(unaudited)	
	(in millions of RMB)				
Interest income	7,992.7	11,129.0	12,063.0	5,826.7	6,871.4
Interest expense	(4,559.7)	(5,995.0)	(5,392.8)	(2,648.6)	(3,120.8)
Net interest income	**3,433.0**	**5,134.0**	**6,670.2**	**3,178.1**	**3,750.6**
Fee and commission income	166.0	198.7	327.4	112.3	259.7
Fee and commission expenses	(27.4)	(57.3)	(71.1)	(32.6)	(35.2)
Net fee and commission income	**138.6**	**141.4**	**256.3**	**79.7**	**224.5**
Net trading (losses)/gains	—	(6.1)	(8.0)	6.3	(3.9)
Net losses arising from investment securities	—	(1.0)	—	—	—
Net Exchange (losses)/gains	(1.2)	6.3	9.9	3.1	(4.7)
Other operating income	32.0	28.2	42.5	2.3	84.0
Operating income	**3,602.4**	**5,302.8**	**6,970.9**	**3,269.5**	**4,050.5**
Operating expenses	(1,258.6)	(1,830.0)	(1,903.8)	(876.9)	(842.2)
Impairment losses on assets	(938.0)	(1,720.5)	(2,504.4)	(1,438.9)	(497.1)
Operating profit	**1,405.8**	**1,752.3**	**2,562.7**	**953.7**	**2,711.2**
Share of profits of associates	2.8	1.4	1.9	0.6	0.9
Profit before tax	**1,408.6**	**1,753.7**	**2,564.6**	**954.3**	**2,712.1**
Income tax expense	(346.0)	(455.3)	(643.6)	(237.5)	(666.3)
Profit for the period	**1,062.6**	**1,298.4**	**1,921.0**	**716.8**	**2,045.8**

The table below sets forth a summary of our key financial indicators for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(unaudited)	
Profitability indicators					
Return on assets(1)	0.87%	0.69%	0.84%	0.66%	1.59%
Return on equity(2)	12.16%	11.37%	15.10%	11.81%	28.50%
Net interest spread(3)	2.56%	2.79%	2.89%	2.95%	2.81%
Net interest margin(4)	2.85%	2.96%	3.08%	3.07%	2.96%
Net fee and commission income to operating income ratio(5)	3.85%	2.67%	3.68%	2.44%	5.54%
Cost-to-income ratio(6)	29.56%	28.72%	25.16%	23.35%	20.29%

Notes:

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

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

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

(4) Calculated by dividing net interest income by average interest-earning assets.

(5) Calculated by dividing net fee and commission income by operating income.

(6) Calculated by dividing total operating expenses (net of business tax and surcharges) by operating income.

The table below sets forth the information relating to our certain regulatory indicators calculated according to the requirements of banking regulatory authorities in China and applicable accounting principles for the dates indicated.

	Regulatory requirement	As of December 31,			As of June 30,
		2014	2015	2016	2017
Capital adequacy indicators					
Core tier-one capital adequacy ratio(1)	≥ 7.1%(4)	9.85%	8.57%	8.58%	8.55%
Tier-one capital adequacy ratio(2)	≥ 8.1%(4)	9.85%	8.57%	8.58%	8.55%
Capital adequacy ratio(3)	≥10.1%(4)	10.55%	11.42%	11.80%	11.49%
Shareholders' equity to total assets ratio	—	6.51%	5.71%	5.45%	5.71%
Assets quality indicators					
Non-performing loan ratio	≤ 5%	0.39%	1.77%	1.81%	1.63%
Provision coverage ratio(5)	≥ 150%	448.83%	150.94%	192.72%	220.29%
Provision to total loan ratio(6)(7)	≥ 2.5%	1.73%	2.67%	3.48%	3.59%
Other indicators					
Loan to deposit ratio(8)	≤ 75%	51.11%	64.26%	63.01%	63.22%

Notes:

(1) Core tier-one capital adequacy ratio = (core tier-one capital - corresponding capital deductions) / risk-weighted assets.

(2) Tier-one capital adequacy ratio = (tier-one capital - corresponding capital deductions) / risk-weighted assets.

(3) Capital adequacy ratio = (total capital - corresponding capital deductions) / risk-weighted assets.

(4) Represents the regulatory requirements with which we are required to comply by December 31, 2017. Pursuant to the relevant regulatory requirements, we were required to maintain core tier-one capital adequacy ratio of no less than 5.9%, 6.3% and 6.7%, respectively, tier-one capital adequacy ratio of no less than 6.9%, 7.3% and 7.7%, respectively, and capital adequacy ratio of no less than 8.9%, 9.3% and 9.7%, respectively, by December 31, 2014, 2015 and 2016.

(5) Provision coverage ratio = provision for impairment losses on loans / total non-performing loans and advances.

(6) Provision to total loan ratio = provision for impairment losses on loans / total loans and advances to customers.

(7) In accordance with the relevant regulatory requirements, non-systematically important banks in China are required to maintain a minimum provision to total loan ratio of 2.5% by December 31, 2016.

(8) Calculated by dividing total loans and advances to customers by total customer deposits. The loan to deposit ratio is no longer a regulatory ratio for PRC commercial banks under the amended PRC Commercial Banking Law, which became effective on October 1, 2015.

Return on assets increased from 0.66% in the six months ended June 30, 2016 to 1.59% in the same period of 2017, primarily attributable to an increase in profit and a decrease in impairment losses on loans and advances to customers and debt securities classified as receivables. Return on assets increased from 0.69% in 2015 to 0.84% in 2016, primarily attributable to an increase in profit. Return on assets decreased from 0.87% in 2014 to 0.69% in 2015, primarily attributable to the growth of our assets and an increase in impairment losses.

Return on equity increased from 11.81% in the six months ended June 30, 2016 to 28.50% in the same period of 2017, primarily attributable to an increase in profit and a decrease in impairment losses on loans and advances to customers and debt securities classified as receivables. Return on equity increased from 11.37% in 2015 to 15.10% in 2016, primarily attributable to an increase in profit, while shareholder's equity remained stable. Return on equity decreased from 12.16% in 2014 to 11.37% in 2015, primarily attributable to an increase in impairment losses.

See "—Selected Financial Data—Six Months ended June 30, 2017 Compared to the Same Period in 2016—Net Interest Spread and Net Interest Margin" and "—Selected Financial Data—Results of Operations for the years ended December 31, 2014, 2015 and 2016—Net Interest Spread and Net Interest Margin" for an analysis of the changes in net interest spread and net interest margin.

As of December 31, 2015 and 2016 and June 30, 2017, our core tier-one capital adequacy ratio remained relatively stable at 8.57%, 8.58% and 8.55%; our tier-one capital adequacy ratio remained relatively stable at 8.57%, 8.58% and 8.55%; and our capital adequacy ratio remained relatively stable at 11.42% , 11.80% and 11.49%, in each case respectively.

Our core tier-one capital adequacy ratio and tier-one capital adequacy ratio decreased from 9.85% and 9.85% as of December 31, 2014, respectively, to 8.57% and 8.57% as of December 31, 2015, respectively, primarily attributable to an increase in risk-weighted assets due to the growth of our business. Our capital adequacy ratio increased from 10.55% as of December 31, 2014 to 11.42% as of December 31, 2015, primarily attributable to our issuance of tier-two capital bonds to replenish capital.

As of December 31, 2015 and 2016 and June 30, 2017, our shareholders' equity to total assets ratio remained relatively stable at 5.71%, 5.45% and 5.71%, respectively. Our shareholders' equity to total assets ratio decreased from 6.51% as of December 31, 2014 to 5.71% as of December 31, 2015, primarily due to the growth of our assets.

See "Assets and Liabilities—Assets—Asset Quality of our Loan Portfolio" for an analysis of the changes in non-performing loan ratio.

Our provision coverage ratio increased to 220.29% as of June 30, 2017, primarily because of a RMB991.8 million decrease in new non-performing loans and an increase in our provisions for impairment losses on loans and advances. Our provision coverage ratio increased from 150.94% as of December 31, 2015 to 192.72% as of December 31, 2016, primarily because of an increase in the provision for impairment losses due to an increase in the scale of loans and advances. Our provision coverage ratio decreased from 448.83% as of December 31, 2014 to 150.94% as of December 31, 2015, primarily because of a RMB1,391.8 million increase in new non-performing loans due to a slowdown in China's economic growth. We made provisions for loan impairment losses in accordance with IAS 39 and the Guidelines on Bank Loan Loss Allowances (《銀行貸款損失準備計提指引》) and had a provision coverage ratio above the minimum regulatory requirements in 2015. Accordingly, we believe we made sufficient provisions to cover the increase in non-performing loans in 2015.

Our provision to total loan ratio increased from 1.73% as of December 31, 2014 to 2.67% as of December 31, 2015 and 3.48% as of December 31, 2016, and further increased to 3.59% as of June 30, 2017, primarily because of an increase in the provision for impairment losses due to an increase in loans and advances.

As of December 31, 2015 and 2016 and June 30, 2017, our loan to deposit ratio remained relatively stable at 64.26%, 63.01% and 63.22%, respectively. Our loan to deposit ratio increased from 51.11% as of December 31, 2014 to 64.26% as of December 31, 2015, primarily due to an increase in loans and advances to customers.

SIX MONTHS ENDED JUNE 30, 2017 COMPARED TO THE SAME PERIOD IN 2016

Net Interest Income

Net interest income represented 97.2% and 92.6% of operating income in the six months ended June 30, 2016 and 2017, respectively.

The table below sets forth our interest income, interest expense and net interest income for the periods indicated.

	As of June 30,	
	2016	2017
	(in millions of RMB)	
Interest income	5,826.7	6,871.4
Interest expense	(2,648.6)	(3,120.8)
Net interest income	**3,178.1**	**3,750.6**

The table below sets forth the average balances of our interest-earning assets and interest-bearing liabilities, the related interest income or expense and the related average yield of assets or average cost of liabilities for the periods indicated.

	Six months ended June 30,					
	2016			2017		
	Average balance(1)	Interest income	Average yield(2)	Average balance(1)	Interest income	Average yield(2)
	(in millions of RMB, except percentages)					
Interest-earning assets						
Loans and advances to customers	96,674.1	3,230.4	6.68%	115,025.2	3,708.4	6.45%
Investment securities and other financial assets(3)	69,672.3	2,203.7	6.33%	89,907.0	2,584.2	5.75%
Deposits with banks	18,096.4	216.3	2.39%	22,014.5	355.1	3.23%
Financial assets held under resale agreements and placements with banks and other financial institutions	719.1	9.8	2.73%	2,165.5	37.3	3.44%
Deposits with the central bank(4)	21,655.6	166.5	1.54%	24,392.7	186.4	1.53%
Total interest-earning assets	**206,817.5**	**5,826.7**	**5.64%**	**253,504.9**	**6,871.4**	**5.42%**

	Six months ended June 30,					
	2016			2017		
	Average balance(1)	Interest expense	Average cost(2)	Average balance(1)	Interest expense	Average cost(2)
	(in millions of RMB, except percentages)					
Interest-bearing liabilities						
Deposits from customers	140,429.7	1,467.6	2.09%	171,842.9	1,724.4	2.01%
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	3,141.1	32.9	2.09%	9,583.9	137.5	2.87%
Debt securities issued(5)	12,772.5	231.9	3.63%	18,802.8	417.6	4.44%
Deposits from banks and other financial institutions	35,891.7	845.2	4.71%	33,557.6	765.3	4.56%
Borrowings from the central bank	4,755.8	71.0	2.99%	4,939.5	76.0	3.08%
Total interest-bearing liabilities	**196,990.8**	**2,648.6**	**2.69%**	**238,726.7**	**3,120.8**	**2.61%**
Net interest income		**3,178.1**			**3,750.6**	
Net interest spread(6)			**2.95%**			**2.81%**
Net interest margin(7)			**3.07%**			**2.96%**

Notes:

(1) The daily average balances of interest-earning assets and interest-bearing liabilities are derived from our unaudited management accounts.

(2) Calculated by dividing interest income/expense by average balance.

(3) Primarily includes debt securities classified as receivables, available-for-sale financial assets, held-to-maturity investments, and financial assets at fair value through profit or loss.

(4) Primarily includes statutory deposit reserves, surplus deposit reserves and fiscal deposit reserves.

(5) Primarily includes interbank certificates, tier-two capital bonds and financial bonds.

(6) Represents the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.

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

The table below sets forth the changes in interest income and interest expense attributable to changes in amount and interest rate for the periods indicated. Changes in amount are measured by changes in the average balances, and changes in rate are measured by changes in average interest rates. Changes caused by both amount and interest rate have been allocated to changes in amount.

	Six months ended June 30,		
	2016 vs. 2017		
	Increase/(decrease) due to		Net increase/ (decrease)(3)
	Amount(1)	Rate(2)	
	(in millions of RMB)		
Interest-earning assets			
Loans and advances to customers	591.6	(113.6)	478.0
Investment securities and other financial assets	581.6	(201.1)	380.5
Deposits with banks	63.2	75.6	138.8
Financial assets held under resale agreements and placements with banks and other financial institutions	24.9	2.6	27.5
Deposits with the central bank	20.9	(1.0)	19.9
Change in interest income	**1,282.2**	**(237.5)**	**1,044.7**
Interest-bearing liabilities			
Deposits from customers	315.2	(58.4)	256.8
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	92.4	12.2	104.6
Debt securities issued	134.0	51.7	185.7
Deposits from banks and other financial institutions	(53.2)	(26.7)	(79.9)
Borrowings from the central bank	2.8	2.2	5.0
Change in interest expense	491.2	(19.0)	472.2
Change in net interest income	**791.0**	**(218.5)**	**572.5**

Notes:

(1) Represents the average balance for the period minus the average balance for the previous period, multiplied by the average yield/cost for the period.

(2) Represents the average yield/cost for the period minus the average yield/cost for the previous period, multiplied by the average balance for the previous period.

(3) Represents interest income/expense for the period minus interest income/expense for the previous period.

Interest Income

The table below sets forth the principal components of interest income for the periods indicated.

	Six months ended June 30,			
	2016		2017	
	Amount	% of Total	Amount	% of Total
	(unaudited) (in millions of RMB, except percentages)			
Loans and advances to customers	3,230.4	55.4%	3,708.4	54.0%
Investment securities and other financial assets	2,203.7	37.8%	2,584.2	37.6%
Deposits with banks	216.3	3.7%	355.1	5.2%
Financial assets held under resale agreements and placements with banks and other financial institutions	9.8	0.2%	37.3	0.5%
Deposits with the central bank	166.5	2.9%	186.4	2.7%
Total	**5,826.7**	**100.0%**	**6,871.4**	**100.0%**

Interest income increased by 17.9% from RMB5,826.7 million in the six months ended June 30, 2016 to RMB6,871.4 million in the same period of 2017, primarily due to a 22.6% increase in the average balance of interest-earning assets, from RMB206,817.5 million in the six months ended June 30, 2016 to RMB253,504.9 million in the same period of 2017, partially offset by a decrease in the average yield of interest-earning assets from 5.64% in the six months ended June 30, 2016 to 5.42% in the same period of 2017. The increase in the average balance of interest-earning assets was in line with the growth of our business. The decrease in the average yield of interest-earning assets was primarily due to (i) a decrease in the average yield of loans and advances to customers, primarily due to increased market competition reflecting increased interest rate liberalization, and (ii) a decrease in the average yield of investment securities and other financial assets, primarily due to lower returns on our investments in non-standard credit assets, as well as our increased investments in debt securities with high liquidity and lower yields.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers represented 55.4% and 54.0% of total interest income in the six months ended June 30, 2016 and 2017, respectively.

The table below sets forth the average balance, interest income and average yield of loans and advances to customers by product for the periods indicated.

	Six months ended June 30,					
	2016			2017		
	Average balance[(1)]	Interest income	Average yield	Average balance[(1)]	Interest income	Average yield
	(unaudited) (in millions of RMB, except percentages)					
Corporate loans	76,091.3	2,755.1	7.24%	87,023.4	2,999.1	6.89%
Retail loans	5,953.3	219.4	7.37%	8,702.6	292.2	6.72%
Discounted bills	14,629.5	255.9	3.50%	19,299.2	417.1	4.32%
Total loans and advances to customers	**96,674.1**	**3,230.4**	**6.68%**	**115,025.2**	**3,708.4**	**6.45%**

Note:
(1) Represents the average of daily balances based on our unaudited management accounts.

Interest income from loans and advances to customers increased by 14.7% from RMB3,230.4 million in the six months ended June 30, 2016 to RMB3,708.4 million in the same period of 2017, primarily due to a 19.0% increase in the average balance of loans and advances to customers, from RMB96,674.1 million in the six months ended June 30, 2016 to RMB115,025.2 million in the same period of 2017, partially offset by a decrease in the average yield of loans and advances to customers, from 6.68% in the six months ended June 30, 2016 to 6.45% in the same period of 2017.

Interest income from corporate loans increased by 8.9% from RMB2,755.1 million in the six months ended June 30, 2016 to RMB2,999.1 million in the same period of 2017, primarily due to a 14.4% increase in the average balance of corporate loans, from RMB76,091.3 million in the six months ended June 30, 2016 to RMB87,023.4 million in the same period of 2017, partially offset by a decrease in the average yield of corporate loans, from 7.24% in the six months ended June 30, 2016 to 6.89% in the same period of 2017. The increase in average balance was primarily due to our efforts to expand our corporate loan business. The decrease in average yield was primarily due to increased market competition. We faced greater downward pressure on the prices of our corporate loan products as we sought to grow our corporate loan business.

Interest income from retail loans increased by 33.2% from RMB219.4 million in the six months ended June 30, 2016 to RMB292.2 million in the same period of 2017, primarily due to a 46.2% increase in the average balance of retail loans, from RMB5,953.3 million in the six months ended June 30, 2016 to RMB8,702.6 million in the same period of 2017, partially offset by a decrease in the average yield of retail loans, from 7.37% in the six months ended June 30, 2016 to 6.72% in the same period of 2017. The increase in average balance was primarily attributable to our efforts to expand our retail loan business. The decrease in average yield was primarily due to increased market competition. We faced greater downward pressure on the prices of our retail loan products as we sought to grow our retail loan business. The decrease in average yield was also due to an increase in the proportion of residential and commercial mortgage loans in our loan portfolio, which generally have relatively lower yields.

Interest income from discounted bills increased by 63.0% from RMB255.9 million in the six months ended June 30, 2016 to RMB417.1 million in the same period of 2017, primarily due to a 31.9% increase in the average balance of discounted bills, from RMB14,629.5 million in the six months ended June 30, 2016 to RMB19,299.2 million in the same period of 2017, and an increase in the average yield of discounted bills, from 3.50% in the six months ended June 30, 2016 to 4.32% in the same period of 2017. The increase in average balance was primarily attributable to our efforts to expand our discounted bills business. The increase in average yield was primarily due to higher market interest rates reflecting tightened market liquidity.

Interest Income from Investment Securities and Other Financial Assets

Interest income from investment securities and other financial assets increased by 17.3% from RMB2,203.7 million in the six months ended June 30, 2016 to RMB2,584.2 million in the same period of 2017, primarily due to a 29.0% increase in the average balance of investment securities and other financial assets, from RMB69,672.3 million in the six months ended June 30, 2016 to RMB89,907.0 million in the same period of 2017, and a decrease in the average yield of investment securities and other financial assets, from 6.33% in the six months ended June 30, 2016 to 5.75% in the same period of 2017. The increase in average balance was primarily due to our increased investments in financial assets to diversify our asset portfolio. The decrease in average yield was primarily due to (i) lower returns on our investments in non-standard credit assets, and (ii) our increased investments in debt securities with high liquidity and lower yields.

Interest Income from Deposits with Banks

Interest income from deposits with banks increased by 64.2% from RMB216.3 million in the six months ended June 30, 2016 to RMB355.1 million in the same period of 2017, primarily due to a 21.7% increase in the average balance of deposits with banks, from RMB18,096.4 million in the six months ended June 30, 2016 to RMB22,014.5 million in the same period of 2017, and an increase in the average yield of deposits with banks, from 2.39% in the six months ended June 30, 2016 to 3.23% in the same period of 2017. The increase in average balance was due to our increased investments in deposits with banks based on changes in interbank money market interest rates to manage our liquidity. The increase in average yield was primarily due to higher market interest rates reflecting tightened market liquidity, which in turn resulted in an increase in returns from deposits with other banks.

Interest Income from Financial Assets Held under Resale Agreements and Placements with Banks and Other Financial Institutions

Interest income from financial assets held under resale agreements and placements with banks and other financial institutions increased by 280.6% from RMB9.8 million in the six months ended June 30, 2016 to RMB37.3 million in the same period of 2017, primarily due to a 201.1% increase in the average balance of financial assets held under resale agreements and placements with banks and other financial institutions, from RMB719.1 million in the six months ended June 30, 2016 to RMB2,165.5 million in the same period of 2017, and an increase in the average yield of financial assets held under resale agreements and placements with banks and other financial institutions, from 2.73% in the six months ended June 30, 2016 to 3.44% in the same period of 2017. The increase in average balance was primarily because we entered into more reverse repurchase transactions to manage liquidity and earn returns. The increase in average yield was primarily due to higher market interest rates reflecting tightened market liquidity, which in turn resulted in an increase in returns from reverse repurchase transactions.

Interest Income from Deposits with the Central Bank

Interest income from deposits with the central bank increased by 12.0% from RMB166.5 million in the six months ended June 30, 2016 to RMB186.4 million in the same period of 2017, primarily due to a 12.6% increase in the average balance of deposits with the central bank, from RMB21,655.6 million in the six months ended June 30, 2016 to RMB24,392.7 million in the same period of 2017. The increase in average balance was primarily due to increased statutory deposit reserves resulting from the continued growth in deposits from customers.

Interest Expense

The table below sets forth the principal components of interest expense for the periods indicated.

	Six months ended June 30,			
	2016		2017	
	Amount	% of total	Amount	% of total
	(unaudited) (in millions of RMB, except percentages)			
Deposits from customers	1,467.6	55.4%	1,724.4	55.3%
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	32.9	1.2%	137.5	4.4%
Debt securities issued	231.9	8.8%	417.6	13.4%
Deposits from banks and other financial institutions	845.2	31.9%	765.3	24.5%
Borrowing from the central bank	71.0	2.7%	76.0	2.4%
Total	**2,648.6**	**100.0%**	**3,120.8**	**100.0%**

Interest expense increased by 17.8% from RMB2,648.6 million in the six months ended June 30, 2016 to RMB3,120.8 million in the same period of 2017, primarily due to a 21.2% increase in the average balance of interest-bearing liabilities, from RMB196,990.8 million in the six months ended June 30, 2016 to RMB238,726.7 million in the same period of 2017, partially offset by a decrease in the average cost of interest-bearing liabilities, from 2.69% in the six months ended June 30, 2016 to 2.61% in the same period of 2017. The increase in the average balance of interest-bearing liabilities was primarily due to the increases in customer deposits and repurchase transactions and our issuance of debt securities. The decrease in the average cost of interest-bearing liabilities was primarily due to lower interest expenses on our deposit products resulting from reductions in PBoC benchmark interest rates in 2014 and 2015.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers represented 55.4% and 55.3% of interest expense in the six months ended June 30, 2016 and 2017, respectively.

The table below sets forth the average balance, interest expense and average costs of the components of deposits from customers for the periods indicated.

	Six months ended June 30,					
	2016			2017		
	Average balance[(1)]	Interest expense	Average cost	Average balance[(1)]	Interest expense	Average cost
		(unaudited) (in millions of RMB, except percentages)				
Corporate deposits						
Time deposits	45,951.0	468.2	2.04%	49,669.9	459.6	1.85%
Demand deposits	41,533.4	128.0	0.62%	49,809.5	130.5	0.52%
Subtotal	**87,484.4**	**596.2**	**1.36%**	**99,479.4**	**590.1**	**1.19%**
Retail deposits						
Time deposits	36,398.9	827.4	4.55%	52,942.3	1,090.9	4.12%
Demand deposits	16,546.4	44.0	0.53%	19,421.2	43.4	0.45%
Subtotal	**52,945.3**	**871.4**	**3.29%**	**72,363.5**	**1,134.3**	**3.14%**
Total deposits from customers	**140,429.7**	**1,467.6**	**2.09%**	**171,842.9**	**1,724.4**	**2.01%**

Note:
(1) Represents the average of daily balances based on our unaudited management accounts.

Interest expense on deposits from customers increased by 17.5% from RMB1,467.6 million in the six months ended June 30, 2016 to RMB1,724.4 million in the same period of 2017, primarily due to a 22.4% increase in the average balance of deposits from customers, from RMB140,429.7 million in the six months ended June 30, 2016 to RMB171,842.9 million in the same period of 2017, partially offset by a decrease in the average cost of deposits from customers, from 2.09% in the six months ended June 30, 2016 to 2.01% in the same period of 2017. The decrease in the average cost of deposits from customers was primarily due to lower interest rates offered for our deposit products rolled over at maturity, primarily resulting from reductions in PBoC benchmark interest rates in 2014 and 2015.

Interest expense on corporate deposits decreased by 1.0% from RMB596.2 million in the six months ended June 30, 2016 to RMB590.1 million in the same period of 2017, primarily due to a decrease in the average cost of corporate deposits, from 1.36% in the six months ended June 30, 2016 to 1.19% in the same period of 2017, partially offset by a 13.7% increase in the average balance of corporate deposits, from RMB87,484.4 million in the six months ended June 30, 2016 to RMB99,479.4 million in the same period of 2017. The increase in average balance was primarily attributable to the growth of our corporate customer base due to our enhanced marketing efforts. The decrease in average cost primarily reflected lower interest rates offered for our deposit products rolled over at maturity, primarily resulting from reductions in PBoC benchmark interest rates in 2014 and 2015.

Interest expense on retail deposits increased by 30.2% from RMB871.4 million in the six months ended June 30, 2016 to RMB1,134.3 million in the same period of 2017, primarily due to a 36.7% increase in the average balance of retail deposits, from RMB52,945.3 million in the six months ended June 30, 2016 to RMB72,363.5 million in the same period of 2017, partially offset by a decrease in the average cost of retail deposits, from 3.29% in the six months ended June 30, 2016 to 3.14% in the same period of 2017. The increase in average balance was primarily attributable to the expansion of our branch network and electronic banking distribution channels, such as self-service banking and mobile banking, our wider range of products and services and our expanded retail customer base. The decrease in average cost primarily reflected lower interest rates offered for our deposit products rolled over at maturity, primarily resulting from reductions in PBoC benchmark interest rates in 2014 and 2015.

Interest Expense on Financial Assets Sold under Repurchase Agreements and Placements from Banks and Other Financial Institutions

Interest expense on financial assets sold under repurchase agreements and placements from banks and other financial institutions increased by 317.9% from RMB32.9 million in the six months ended June 30, 2016 to RMB137.5 million in the same period of 2017, primarily due to a 205.1% increase in the average balance of financial assets sold under repurchase agreements and placements from banks and other financial institutions, from RMB3,141.1 million in the six months ended June 30, 2016 to RMB9,583.9 million in the same period of 2017, and an increase in the average cost of financial assets sold under repurchase agreements and placements from banks and other financial institutions, from 2.09% in the six months ended June 30, 2016 to 2.87% in the same period of 2017. The increase in average balance was primarily because we entered into more repurchase transactions to diversify our financing channels. The increase in average cost was primarily due to higher market interest rates reflecting tightened market liquidity, which in turn led to an increase in the cost of repurchase transactions.

Interest Expense on Debt Securities Issued

Interest expense on debt securities issued increased by 80.1% from RMB231.9 million in the six months ended June 30, 2016 to RMB417.6 million in the same period of 2017, primarily due to a 47.2% increase in the average balance of debt securities issued, from RMB12,772.5 million in the six months ended June 30, 2016 to RMB18,802.8 million in the same period of 2017 and an increase in the average cost of debt securities issued, from 3.63% in the six months ended June 30, 2016 to 4.44% in the same period of 2017.

The increase in average balance was primarily due to our issuance of financial bonds in an aggregate principal amount of RMB3,000.0 million and interbank certificates in an aggregate principal amount of RMB13,178.5 million. The increase in average cost was primarily due to our issuance of mid- and long-term financial bonds which had relatively higher interest rates, and an increase in the interest rates of interbank certificates reflecting higher market interest rates.

Interest Expense on Deposits from Banks and Other Financial Institutions

Interest expense on deposits from banks and other financial institutions decreased by 9.5% from RMB845.2 million in the six months ended June 30, 2016 to RMB765.3 million in the same period of 2017, primarily due to a 6.5% decrease in the average balance of deposits from banks and other financial institutions, from RMB35,891.7 million in the six months ended June 30, 2016 to RMB33,557.6 million in the same period of 2017, primarily because we reduced fund raising through deposits from banks and other financial institutions as a result of increased deposits from customers and our issuance of interbank certificates and financial bonds. The average cost remained relatively stable at 4.71% and 4.56% in the six months ended June 30, 2016 and 2017, respectively.

Interest Expense on Borrowing from the Central Bank

Interest expense on borrowing from the central bank increased by 7.0% from RMB71.0 million in the six months ended June 30, 2016 to RMB76.0 million in the same period of 2017, primarily due to a 3.9% increase in the average balance of borrowing from the central bank, from RMB4,755.8 million in the six months ended June 30, 2016 to RMB4,939.5 million in the same period of 2017, primarily due to an increase in borrowings from the PBoC to fund the growth of our small and micro enterprises businesses and bills-related business. The average cost of borrowing from the central bank remained relatively stable at 2.99% and 3.08% in the six months ended June 30, 2016 and 2017.

Net Interest Spread and Net Interest Margin

Net interest spread decreased from 2.95% in the six months ended June 30, 2016 to 2.81% in the same period of 2017, primarily due to a decrease in average yield of total interest-earning assets, from 5.64% to 5.42%, primarily due to (i) a decrease in the average yield of loans and advances to customers, primarily due to increased market competition, reflecting increased interest rate liberalization, and (ii) a decrease in the average yield of investment securities and other financial assets, primarily due to lower returns on our investments in non-standard credit assets, as well as our increased investments in debt securities with high liquidity and lower yields. The decrease was partially offset by a decrease in the average cost of total interest-bearing liabilities, from 2.69% to 2.61%, primarily due to lower interest expense on our deposit products resulting from reductions in PBoC benchmark interest rates.

Net interest margin decreased from 3.07% in the six months ended June 30, 2016 to 2.96% in the same period of 2017, primarily attributable to the growth in the daily average balance of interest-earning assets driven by the growth in our business, which outpaced the growth in net interest income.

Net Fee and Commission Income

Net fee and commission income represented 2.4% and 5.5% of operating income in the six months ended June 30, 2016 and 2017, respectively. The table below sets forth the principal components of net fee and commission income for the periods indicated.

	Six months ended June 30,	
	2016	2017
	(unaudited) (in millions of RMB)	
Fee and commission income		
Wealth management service fees	24.2	125.2
Agency service fees	39.4	57.1
Settlement and clearing fees	18.3	45.2
Bank acceptance bill service fees	16.9	13.0
Letters of guarantees fees	2.3	3.3
Others[(1)]	11.2	15.9
Subtotal	**112.3**	**259.7**
Fee and commission expenses	**(32.6)**	**(35.2)**
Net fee and commission income	**79.7**	**224.5**

Note:
(1) Primarily includes guarantee fees and advisory service income.

Fee and Commission Income

Net fee and commission income increased by 182.0% from RMB79.7 million in the six months ended June 30, 2016 to RMB224.5 million in the same period of 2017, primarily due to increases in wealth management service fees and settlement and clearing fees.

Wealth Management Service Fees

Wealth management service fees primarily included income earned from non-guaranteed wealth management products we offered. Wealth management service fees increased by 417.3% from RMB24.2 million in the six months ended June 30, 2016 to RMB125.2 million in the same period of 2017, primarily due to an increase in the volume of non-guaranteed financial products issued, and higher yields on the investment of wealth management products.

Agency Service Fees

Agency service fees primarily included income from entrusted loans and precious metal agency services. Agency service fees increased by 44.9% from RMB39.4 million in the six months ended June 30, 2016 to RMB57.1 million in the same period of 2017, primarily due to the growth of our entrusted loan business and precious metal agency business.

Settlement and Clearing Fees

Settlement and clearing fees primarily included fees generated from settlement services, foreign exchange services and electronic banking services. Settlement and clearing fees increased by 147.0% from RMB18.3 million in the six months ended June 30, 2016 to RMB45.2 million in the same period of 2017, primarily due to an increase in the volume of settlement transactions and an increase in fees generated by our direct banking platform.

Bank Acceptance Bill Service Fees

Bank acceptance bill service fees primarily included fees from bank acceptance bills issued to customers. Bank acceptance bill service fees decreased by 23.1% from RMB16.9 million in the six months ended June 30, 2016 to RMB13.0 million in the same period of 2017, primarily due to a decrease in bank acceptance bills issued by us.

Letters of Guarantee Fees

Letters of guarantees fees increased by 43.5% from RMB2.3 million in the six months ended June 30, 2016 to RMB3.3 million in the same period of 2017, primarily due to the growth in our guarantee business.

Fee and Commission Expenses

Fee and commission expenses mainly included settlement and clearing fees paid to third parties and debit card service fees. Fee and commission expenses increased by 8.0% from RMB32.6 million in the six months ended June 30, 2016 to RMB35.2 million in the same period of 2017, primarily due to increases in debit cards issued and a higher volume of debit card transactions, which led to an increase in relevant expenses.

Net Trading Gains/(Losses)

Net trading gains/(losses) primarily included gains from selling, and the fair value changes of, financial assets held for trading. We had net trading gains of RMB6.3 million in the six months ended June 30, 2016 and net trading losses of RMB3.9 million in the same period of 2017, primarily reflecting the fluctuations in market interest rates.

Net Gains/(Losses) from Investment Securities and Other Financial Assets

Net gains/(losses) from investment securities and other financial assets included net gains/(losses) from selling investment securities and other financial assets and revaluation gains resulting from the reclassification of other consolidated income to gains or losses upon the disposal of assets. We did not dispose of any investment securities in the six months ended June 30, 2016 and 2017.

Net Exchange (Losses)/Gains

Net exchange (losses)/gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. We had net exchange gains of RMB3.1 million in the six months ended June 30, 2016 and net exchange losses of RMB4.7 million in the six months ended June 30, 2017, primarily reflecting fluctuations in exchange rates.

Other Operating Income

Other operating income mainly included government subsidies and income from short-term leases and the disposal of fixed assets and mortgage assets. Other operating income increased by 3,552.2% from RMB2.3 million in the six months ended June 30, 2016 to RMB84.0 million in the same period of 2017, primarily attributable to an increase in government subsidies reflecting our efforts to develop our agriculture-related loan business, and income from disposal of certain repossessed assets.

Operating Expenses

The table below sets forth the principal components of operating expenses for the periods indicated.

	Six months ended June 30,			
	2016		2017	
	Amount	% of total	Amount	% of total
	(unaudited) (in millions of RMB, except percentages)			
Staff costs	453.7	51.7%	489.4	58.1%
Property and equipment expenses	151.3	17.3%	190.2	22.6%
General management and administrative expenses	158.4	18.1%	142.1	16.9%
Business tax and surcharges	113.5	12.9%	20.5	2.4%
Total	**876.9**	**100.0%**	**842.2**	**100.0%**
Cost-to-income ratio(1)	**23.35%**		**20.29%**	

Note:
(1) Calculated by dividing total operating expenses (net of business tax and surcharges) by total operating income.

Operating expenses decreased by 4.0% from RMB876.9 million in the six months ended June 30, 2016 to RMB842.2 million in the same period of 2017, primarily due to a decrease in business taxes and surcharges, partially offset by an increase in property and equipment expenses and staff costs. Our cost-to-income ratio decreased from 23.35% in the six months ended June 30, 2016 to 20.29% in the same period of 2017, primarily due to an increase in operating income, which outweighed the increase in operating expenses (net of business tax and surcharges).

Staff Costs

Staff costs constituted the largest component of operating expenses, representing 51.7% and 58.1% of total operating expenses in the six months ended June 30, 2016 and 2017, respectively.

The table below sets forth the components of staff costs for the periods indicated.

	Six months ended June 30,	
	2016	2017
	(unaudited) (in millions of RMB)	
Salaries and bonuses	358.8	397.1
Social insurance	61.7	58.4
Housing allowances	17.9	23.0
Labor union and staff education expenses	4.5	5.3
Staff welfares	9.7	4.2
Others	1.1	1.4
Staff costs	**453.7**	**489.4**

Staff costs increased by 7.9% from RMB453.7 million in the six months ended June 30, 2016 to RMB489.4 million in the same period of 2017, primarily reflecting an increase in the number of employees due to the expansion of our business.

Property and Equipment Expenses

Property and equipment expenses increased by 25.7% from RMB151.3 million in the six months ended June 30, 2016 to RMB190.2 million in the same period of 2017. The increase in property and equipment expenses mainly reflected an increase in depreciation on properties of our newly established branches due to our branch network expansion, and an increase in depreciation on equipment due to our development of new IT systems.

Business Tax and Surcharges

We pay taxes on interest income from loans, fee and commission income and securities trading gains. Business tax and surcharges decreased by 81.9% from RMB113.5 million in the six months ended June 30, 2016 to RMB20.5 million in the same period of 2017. Business tax and surcharges decreased primarily because we began to pay VAT in lieu of business tax in May 2016 as a result of China's pilot reform for the transition from business tax to VAT.

General Management and Administrative Expenses

Other operating expenses primarily included business promotion fees, administrative fees, transportation fee and repair expenses. General management and administration expenses remained relatively stable at RMB158.4 million and RMB142.1 million in the six months ended June 30, 2016 and 2017.

Impairment Losses on Assets

The table below sets forth the principal components of impairment losses on assets for the periods indicated.

	Six months ended June 30,	
	2016	2017
	(unaudited) (in millions of RMB)	
Loans and advances to customers	810.0	491.7
Debt securities classified as receivables	625.4	—
Held-to-maturity investments	—	(2.3)
Interest receivable	—	—
Property and equipment	—	0.6
Other(1)	3.5	7.1
Impairment losses on assets	**1,438.9**	**497.1**

Note:

(1) Primarily includes interest receivables, advance payment and repossessed assets.

Impairment losses on assets decreased by 65.5% from RMB1,438.9 million in the six months ended June 30, 2016 to RMB497.1 million in the same period of 2017, mainly due to decreases in provisions for impairment of loans and advances to customers and debt securities classified as receivables.

Impairment losses on loans and advances to customers decreased from RMB810.0 million in the six months ended June 30, 2016 to RMB491.7 million in the same period of 2017, mainly due to a decrease in new non-performing loans in the six months ended June 30, 2017 compared to the same period of 2016.

Impairment losses on debt securities classified as receivables decreased from RMB625.4 million in the six months ended June 30, 2016 to nil in the same period of 2017. We believe our provision for impairment losses sufficiently covered any expected losses on investment securities as of June 30, 2017. The decrease in impairment losses primarily resulted from a decrease in investment securities and other financial assets, from RMB87,116.2 million as of December 31, 2016 to RMB65,221.6 million as of June 30, 2017, partially offset by the higher risk profile of certain non-standard credit assets on our balance sheet. The decrease in investment securities and other financial assets was primarily the result of our sale of non-standard credit assets during the six months ended June 30, 2017, based on investment considerations, market conditions and other factors.

Profit before Tax

As a result of the foregoing, our profit before tax increased by 184.2% from RMB954.3 million in the six months ended June 30, 2016 to RMB2,712.1 million in the same period of 2017.

Income Tax Expense

The table below sets forth our reconciliation between income tax expense calculated based on the applicable statutory income tax rate and actual income tax expense for the periods indicated.

	Six months ended June 30,	
	2016	2017
	(unaudited)	
	(in millions of RMB)	
Profit before tax	954.3	2,712.2
Tax at domestic income tax rate of 25%	238.6	678.0
Tax effect of expenses not deductible for tax purpose[(1)]	3.3	4.5
Tax effect of income that is not taxable for tax purpose[(2)]	(3.5)	(4.0)
Under/(over) provision in respect of prior years	—	(10.8)
Income tax on concessionary rate	(0.7)	(1.2)
Decrease in opening deferred tax assets resulting from a decrease in applicable tax rate	—	—
Tax effect of share of profit of an associate	(0.2)	(0.2)
Income tax expense	**237.5**	**666.3**

Notes:

(1) Expenses not deductible for tax purpose consist of a portion of expenditures, such as entertainment expenses and donations, which exceed the tax deduction limits in accordance with PRC tax regulations.

(2) Income not taxable for tax purpose consists of interest income on micro loans to farmers, which is exempted from income tax under the PRC tax regulations.

Income tax expense increased by 180.5% from RMB237.5 million in the six months ended June 30, 2016 to RMB666.3 million in the same period of 2017. The increase in income tax expense was in line with the growth of our business. Effective tax rates were 24.9% and 24.6% in the six months ended June 30, 2016 and 2017, respectively.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 185.4% from RMB716.8 million in the six months ended June 30, 2016 to RMB2,045.8 million in the same period of 2017.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2014, 2015 AND 2016

Net Interest Income

Net interest income represented 95.3%, 96.8% and 95.7% of operating income in 2014, 2015 and 2016, respectively.

The table below sets forth our interest income, interest expense and net interest income for the periods indicated.

	Year ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Interest income	7,992.7	11,129.0	12,063.0
Interest expense	(4,559.7)	(5,995.0)	(5,392.8)
Net interest income	**3,433.0**	**5,134.0**	**6,670.2**

The table below sets forth the average balances of our interest-earning assets and interest-bearing liabilities, the related interest income or expense and the average yield of related assets or average cost of related liabilities for the periods indicated.

	Year ended December 31,								
	2014			2015			2016		
	Average balance(1)	Interest income	Average yield(2)	Average balance(1)	Interest income	Average yield(2)	Average balance(1)	Interest income	Average yield(2)
	(in millions of RMB, except percentages)								
Interest-earning assets									
Loans and advances to customers	42,174.8	3,263.2	7.74%	71,932.3	5,496.7	7.64%	99,242.8	6,575.9	6.63%
Investment securities and other financial assets(3)	45,519.0	3,604.5	7.92%	57,007.4	4,484.8	7.87%	75,528.1	4,669.2	6.18%
Deposits with banks	17,250.4	801.8	4.65%	19,464.0	675.8	3.47%	18,758.3	453.3	2.42%
Financial assets held under resale agreements and placements with banks and other financial institutions	1,471.4	95.4	6.48%	2,326.4	113.1	4.86%	820.6	22.0	2.68%
Deposits with the central bank(4)	14,094.9	227.8	1.62%	22,837.4	358.6	1.57%	22,112.7	342.6	1.55%
Total interest-earning assets	**120,510.5**	**7,992.7**	**6.63%**	**173,567.5**	**11,129.0**	**6.41%**	**216,462.5**	**12,063.0**	**5.57%**

	Year ended December 31,								
	2014			2015			2016		
	Average balance(1)	Interest expense	Average cost(2)	Average balance(1)	Interest expense	Average cost(2)	Average balance(1)	Interest expense	Average cost(2)
	(in millions of RMB, except percentages)								
Interest-bearing liabilities									
Deposits from customers	78,200.1	2,212.4	2.83%	130,438.5	3,887.8	2.98%	142,794.6	2,888.1	2.02%
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	721.9	35.1	4.86%	3,126.1	156.8	5.02%	4,051.4	93.6	2.31%
Debt securities issued(5)	—	—	—	1,020.4	35.1	3.44%	12,331.4	445.8	3.62%
Deposits from banks and other financial institutions	31,821.3	2,269.0	7.13%	27,552.1	1,809.0	6.57%	37,089.3	1,817.9	4.90%
Borrowings from the central bank	1,282.0	43.2	3.37%	3,218.0	106.3	3.30%	4,695.2	147.4	3.14%
Total interest-bearing liabilities	**112,025.3**	**4,559.7**	**4.07%**	**165,355.1**	**5,995.0**	**3.62%**	**200,961.9**	**5,392.8**	**2.68%**
Net interest income		**3,433.0**			**5,134.0**			**6,670.2**	
Net interest spread(6)			**2.56%**			**2.79%**			**2.89%**
Net interest margin(7)			**2.85%**			**2.96%**			**3.08%**

Notes:

(1) The daily average balances of interest-earning assets and interest-bearing liabilities are derived from our unaudited management accounts.

(2) Calculated by dividing interest income/expense by average balance.

(3) Primarily includes debt securities classified as receivables, available-for-sale financial assets, held-to-maturity investments, and financial assets at fair value through profit or loss.

(4) Primarily includes statutory deposit reserves, surplus deposit reserves and fiscal deposits reserves.
(5) Primarily includes interbank certificates and tier-two capital bonds.
(6) Represents the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.
(7) Calculated by dividing net interest income by the daily average balance of interest-earning assets.

The table below sets forth the changes in interest income and interest expense attributable to changes in amount and interest rate for the periods indicated. Changes in amount are measured by changes in average balances, and changes in rate are measured by changes in average interest rates. Changes caused by both amount and interest rate have been allocated to changes in amount.

	Year ended December 31,					
	2014 vs. 2015			2015 vs. 2016		
	Increase/(decrease) due to		Net increase/ (decrease)[(3)]	Increase/(decrease) due to		Net increase/ (decrease)[(3)]
	Amount[(1)]	Rate[(2)]		Amount[(1)]	Rate[(2)]	
	(in millions of RMB)					
Interest-earning assets						
Loans and advances to customers	2,273.9	(40.4)	2,233.5	1,809.6	(730.4)	1,079.2
Investment securities and other financial assets	903.8	(23.5)	880.3	1,145.0	(960.6)	184.4
Deposits with banks	76.8	(202.8)	(126.0)	(17.0)	(205.5)	(222.5)
Financial assets held under resale agreements and placements with banks and other financial institutions	41.6	(23.8)	17.8	(40.3)	(50.8)	(91.1)
Deposits with the central bank	137.2	(6.5)	130.7	(11.2)	(4.8)	(16.0)
Change in interest income	**3,433.3**	**(297.0)**	**3,136.3**	**2,886.1**	**(1,952.1)**	**934.0**
Interest-bearing liabilities						
Deposits from customers	1,557.0	118.4	1,675.4	249.9	(1,249.6)	(999.7)
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	120.6	1.1	121.7	21.4	(84.6)	(63.2)
Debt securities issued	35.1	—	35.1	408.9	1.8	410.7
Deposits from banks and other financial institutions	(280.3)	(179.7)	(460.0)	467.5	(458.6)	8.9
Borrowings from the central bank	64.0	(0.9)	63.1	46.4	(5.3)	41.1
Change in interest expense	**1,496.4**	**(61.1)**	**1,435.3**	**1,194.1**	**(1,796.3)**	**(602.2)**
Change in net interest income	**1,936.9**	**(235.9)**	**1,701.0**	**1,692.0**	**(155.8)**	**1,536.2**

Notes:
(1) Represents the average balance for the year minus the average balance for the previous year, multiplied by the average yield/cost for the year.
(2) Represents the average yield/cost for the year minus the average yield/cost for the previous year, multiplied by the average balance for the previous year.
(3) Represents interest income/expense for the year minus interest income/expense for the previous year.

Interest Income

The table below sets forth our principal components of interest income for the periods indicated.

	Year ended December 31,					
	2014		2015		2016	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(in millions of RMB, except percentages)					
Loans and advances to customers	3,263.2	40.8%	5,496.7	49.4%	6,575.9	54.5%
Investment securities and other financial assets	3,604.5	45.1%	4,484.8	40.3%	4,669.2	38.7%
Deposits with banks	801.8	10.0%	675.8	6.1%	453.3	3.8%
Financial assets held under resale agreements and placements with banks and other financial institutions	95.4	1.2%	113.1	1.0%	22.0	0.2%
Deposits with the central bank	227.8	2.9%	358.6	3.2%	342.6	2.8%
Total	**7,992.7**	**100.0%**	**11,129.0**	**100.0%**	**12,063.0**	**100.0%**

Interest income increased by 8.4% from RMB11,129.0 million in 2015 to RMB12,063.0 million in 2016, primarily due to a 24.7% increase in the average balance of interest-earning assets, from RMB173,567.5 million in 2015 to RMB216,462.5 million in 2016, partially offset by a decrease in the average yield of interest-earning assets, from 6.41% in 2015 to 5.57% in 2016. The increase in the average balance of interest-earning assets was in line with the growth of our business. The decrease in the average yield of interest-earning assets was primarily due to (i) a decrease in the average yield of loans and advances to customers, primarily due to reductions in PBoC benchmark interest rates and increased market competition reflecting increased interest rate liberalization and (ii) a decrease in the average yield of investment securities and other financial assets, primarily reflecting lower market interest rates.

Interest income increased by 39.2% from RMB7,992.7 million in 2014 to RMB11,129.0 million in 2015, primarily due to a 44.0% increase in the average balance of interest-earning assets, from RMB120,510.5 million in 2014 to RMB173,567.5 million in 2015, partially offset by a decrease in the average yield on interest-earning assets, from 6.63% in 2014 to 6.41% in 2015. The increase in the average balance of interest-earning assets was in line with the growth of our business. The decrease in the average yield on interest-earning assets was primarily due to (i) a decrease in the average yield of loans and advances to customers, primarily due to reductions in PBoC benchmark interest rates and increased market competition reflecting increased interest rate liberalization and (ii) a decrease in the average yield of investment securities and other financial assets, primarily reflecting lower market interest rates.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers represented 40.8%, 49.4% and 54.5% of total interest income in 2014, 2015 and 2016, respectively.

The table below sets forth the average balance, interest income and average yield of loans and advances to customers by product for the periods indicated.

	Year ended December 31,								
	2014			2015			2016		
	Average balance(1)	Interest income	Average yield	Average balance(1)	Interest income	Average yield	Average balance(1)	Interest income	Average yield
	(in millions of RMB, except percentages)								
Corporate loans	37,850.3	2,956.2	7.81%	59,628.0	4,773.7	8.01%	79,086.4	5,608.4	7.09%
Retail loans	1,597.2	127.6	7.99%	3,981.8	324.9	8.16%	6,339.9	460.6	7.27%
Discounted bills	2,727.3	179.4	6.58%	8,322.5	398.1	4.78%	13,816.5	506.9	3.67%
Total loans and advances to customers	**42,174.8**	**3,263.2**	**7.74%**	**71,932.3**	**5,496.7**	**7.64%**	**99,242.8**	**6,575.9**	**6.63%**

Note:
(1) Represents the average of daily balances based on our unaudited management accounts.

Interest income from loans and advances to customers increased by 19.6% from RMB5,496.7 million in 2015 to RMB6,575.9 million in 2016, primarily due to a 38.0% increase in the average balance of loans and advances to customers, from RMB71,932.3 million in 2015 to RMB99,242.8 million in 2016, partially offset by a decrease in the average yield of loans and advances to customers, from 7.64% in 2015 to 6.63% in 2016.

Interest income from loans and advances to customers increased by 68.4% from RMB3,263.2 million in 2014 to RMB5,496.7 million in 2015, primarily due to a 70.6% increase in the average balance of loans and advances to customers, from RMB42,174.8 million in 2014 to RMB71,932.3 million in 2015, partially offset by a decrease in the average yield of loans and advances to customers, from 7.74% in 2014 to 7.64% in 2015.

2016 Compared to 2015

Interest income from corporate loans increased by 17.5% from RMB4,773.7 million in 2015 to RMB5,608.4 million in 2016, primarily due to a 32.6% increase in the average balance of corporate loans, from RMB59,628.0 million in 2015 to RMB79,086.4 million in 2016, partially offset by a decrease in the average yield of corporate loans, from 8.01% in 2015 to 7.09% in 2016. The increase in average balance was primarily due to our efforts to expand our corporate loan business. The decrease in average yield was primarily due to five reductions in PBoC benchmark interest rates in 2015 and increased market competition. We faced greater downward pressure on the prices of our corporate loan products as we sought to grow our corporate loan business.

Interest income from retail loans increased by 41.8% from RMB324.9 million in 2015 to RMB460.6 million in 2016, primarily due to a 59.2% increase in the average balance of retail loans, from RMB3,981.8 million in 2015 to RMB6,339.9 million in 2016, partially offset by a decrease in the average yield, from 8.16% in 2015 to 7.27% in 2016. The increase in average balance was primarily attributable to our efforts to expand our retail loan business. The decrease in average yield was primarily due to five reductions in PBoC benchmark interest rates in 2015 and increased market competition. We faced greater downward pressure on the prices of our retail loan products as we sought to grow our retail loan business.

Interest income from discounted bills increased by 27.3% from RMB398.1 million in 2015 to RMB506.9 million in 2016, primarily due to a 66.0% increase in the average balance of discounted bills, from RMB8,322.5 million in 2015 to RMB13,816.5 million in 2016, partially offset by a decrease in the average yield of discounted bills, from 4.78% in 2015 to 3.67% in 2016. The increase in average balance was primarily attributable to our efforts to expand our discounted bills business.

2015 Compared to 2014

Interest income from corporate loans increased by 61.5% from RMB2,956.2 million in 2014 to RMB4,773.7 million in 2015, primarily due to a 57.5% increase in the average balance of corporate loans, from RMB37,850.3 million in 2014 to RMB59,628.0 million in 2015, and a slight increase in the average yield on corporate loans, from 7.81% in 2014 to 8.01% in 2015. The increase in average balance was primarily attributable to our efforts to expand our corporate loan business. The increase in average yield was primarily due to an increase in loans to small and micro enterprise customers as a percentage of our total corporate loans, which generally have higher interest rates.

Interest income from retail loans increased by 154.6% from RMB127.6 million in 2014 to RMB324.9 million in 2015, primarily due to a 149.3% increase in the average balance of retail loans, from RMB1,597.2 million in 2014 to RMB3,981.8 million in 2015. The increase in average balance was primarily attributable to our efforts to expand our personal business loans business. The average yield on retail loans remained relatively stable at 7.99% and 8.16% in 2014 and 2015, respectively.

Interest income from discounted bills increased by 121.9% from RMB179.4 million in 2014 to RMB398.1 million in 2015, primarily due to a 205.2% increase in the average balance of discounted bills, from RMB2,727.3 million in 2014 to RMB8,322.5 million in 2015, partially offset by a decrease in the average yield on discounted bills, from 6.58% in 2014 to 4.78% in 2015. The increase in average balance was primarily attributable to our efforts to expand our discounted bills business. The decrease in average yield was primarily due to lower market interest rates as market liquidity improved.

Interest Income from Investment Securities and Other Financial Assets

2016 Compared to 2015

Interest income from investment securities and other financial assets increased by 4.1% from RMB4,484.8 million in 2015 to RMB4,669.2 million in 2016, primarily due to a 32.5% increase in the average balance of investment securities and other financial assets, from RMB57,007.4 million in 2015 to RMB75,528.1 million in 2016, partially offset by a decrease in the average yield of investment securities and other financial assets, from 7.87% in 2015 to 6.18% in 2016. The increase in average balance primarily reflected our increased investments in financial assets to diversify our asset portfolio. The decrease in average yield was primarily due to a decrease in the yield of our investments in asset management plans and trust plan products, primarily reflecting lower market interest rates as market liquidity improved.

2015 Compared to 2014

Interest income from investment securities and other financial assets increased by 24.4% from RMB3,604.5 million in 2014 to RMB4,484.8 million in 2015, primarily due to a 25.2% increase in the average balance of investment securities and other financial assets, from RMB45,519.0 million in 2014 to RMB57,007.4 million in 2015, partially offset by a decrease in the average yield on investment securities and other financial assets, from 7.92% in 2014 to 7.87% in 2015. The increase in average balance primarily reflected our increased investments in financial assets to diversify our asset portfolio.

The decrease in average yield was primarily due to a decrease in the yield of our investments in asset management plans and trust plan products, primarily reflecting lower market interest rates as market liquidity improved.

Interest Income from Deposits with Banks

2016 Compared to 2015

Interest income from deposits with banks decreased by 32.9% from RMB675.8 million in 2015 to RMB453.3 million in 2016, primarily due to a decrease in the average balance of deposits with banks, from RMB19,464.0 million in 2015 to RMB18,758.3 million in 2016 and a decrease in the average yield of deposits with banks, from 3.47% in 2015 to 2.42% in 2016. The decrease in average balance of deposits with banks was primarily because we adjusted our asset structure to increase investments in other financial assets with higher yields. The decrease in average yield was primarily due to lower market interest rates as market liquidity improved, which in turn led to a decrease in returns from deposits with other banks.

2015 Compared to 2014

Interest income from deposits with banks decreased by 15.7% from RMB801.8 million in 2014 to RMB675.8 million in 2015, primarily due to a decrease in the average yield on deposits with banks from 4.65% in 2014 to 3.47% in 2015, partially offset by an increase in the average balance of deposits with banks from RMB17,250.4 million in 2014 to RMB19,464.0 million in 2015. The decrease in average yield was primarily due to lower market interest rates as market liquidity improved, which in turn led to a decrease in returns from deposits with other banks. The increase in average balance was primarily because we increased deposits with banks to manage liquidity.

Interest Income from Financial Assets Held under Resale Agreements and Placements with Banks and Other Financial Institutions

2016 Compared to 2015

Interest income from financial assets held under resale agreements and placements with banks and other financial institutions decreased by 80.5% from RMB113.1 million in 2015 to RMB22.0 million in 2016, primarily due to a decrease in the average yield of financial assets held under resale agreements and placements with banks and other financial institutions, from 4.86% in 2015 to 2.68% in 2016, and a decrease in the average balance of financial assets held under resale agreements and placements with banks and other financial institutions, from RMB2,326.4 million in 2015 to RMB820.6 million in 2016. The decrease in average yield was primarily due to lower market interest rates as market liquidity improved, which in turn led to a decrease in the returns from reverse repurchase transactions. The decrease in average balance was primarily because of our investment of funds in other financial assets.

2015 Compared to 2014

Interest income from financial assets held under resale agreements and placements with banks and other financial institutions increased by 18.6% from RMB95.4 million in 2014 to RMB113.1 million in 2015, primarily due to an increase in the average balance of financial assets held under resale agreements and placements with banks and other financial institutions from RMB1,471.4 million in 2014 to RMB2,326.4 million in 2015, partially offset by the decrease in the average yield on financial assets held under resale agreements and placements with banks and other financial institutions from 6.48% in 2014 to 4.86% in 2015. The increase in average balance was primarily because of an increase in reverse repurchase transactions to manage our liquidity and earn returns. The decrease in average yield was primarily due to lower market interest rates as market liquidity improved, which in turn led to a decrease in the returns from reverse repurchase transactions.

Interest Income from Deposits with the Central Bank

2016 Compared to 2015

Interest income from deposits with the central bank decreased by 4.5% from RMB358.6 million in 2015 to RMB342.6 million in 2016, primarily because the PBoC lowered the deposit reserves ratio in 2015, and the average balance of deposits with the central bank decreased from RMB22,837.4 million in 2015 to RMB22,112.7 million in 2016, which caused a decrease in the interest income from deposits with the central bank.

2015 Compared to 2014

Interest income from deposits with the central bank increased by 57.4% from RMB227.8 million in 2014 to RMB358.6 million in 2015, primarily due to a 62.0% increase in the average balance of deposits with the central bank, from RMB14,094.9 million in 2014 to RMB22,837.4 million in 2015. The increase in average balance was primarily attributable to increased statutory deposit reserves resulting from the continued growth in deposits from customers.

Interest Expense

The table below sets forth our principal components of interest expense for the periods indicated.

	Year ended December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Deposits from customers	2,212.4	48.5%	3,887.8	64.8%	2,888.1	53.6%
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	35.1	0.8%	156.8	2.6%	93.6	1.7%
Debt securities issued	—	—	35.1	0.6%	445.8	8.3%
Deposits from banks and other financial institutions	2,269.0	49.8%	1,809.0	30.2%	1,817.9	33.7%
Borrowing from the central bank	43.2	0.9%	106.3	1.8%	147.4	2.7%
Total	**4,559.7**	**100.0%**	**5,995.0**	**100.0%**	**5,392.8**	**100.0%**

Interest expense decreased by 10.0% from RMB5,995.0 million in 2015 to RMB5,392.8 million in 2016, primarily due to a decrease in the average cost of interest-bearing liabilities, from 3.62% in 2015 to 2.68% in 2016, partially offset by a 21.5% increase in the average balance of interest-bearing liabilities, from RMB165,355.1 million in 2015 to RMB200,961.9 million in 2016. The decrease in the average cost of interest-bearing liabilities was primarily due to a decrease in the average cost of deposits from customers, primarily due to five reductions in PBoC benchmark interest rates in 2015. The increase in the average balance of interest-bearing liabilities was primarily due to increased deposits from customers and deposits from banks and other financial institutions, and our issuance of debt securities.

Interest expense increased by 31.5% from RMB4,559.7 million in 2014 to RMB5,995.0 million in 2015, primarily due to a 47.6% increase in the average balance of interest-bearing liabilities, from RMB112,025.3 million in 2014 to RMB165,355.1 million in 2015, partially offset by a decrease in the average cost of interest-bearing liabilities, from 4.07% in 2014 to 3.62% in 2015. The decrease in average cost was due to an increase in the proportion of deposits products with lower interest rates. The increase in the average balance of interest-bearing liabilities was primarily due to increased deposits from customers and borrowing from the central bank, and our issuance of debt securities.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers represented 48.5%, 64.8% and 53.6% of interest expenses in 2014, 2015 and 2016, respectively.

The table below sets forth the average balance, interest expense and average cost for the components of deposit from customers for the periods indicated.

	Year ended December 31,								
	2014			2015			2016		
	Average balance(1)	Interest expense	Average cost	Average balance(1)	Interest expense	Average cost	Average balance(1)	Interest expense	Average cost
	(in millions of RMB, except percentages)								
Corporate deposits									
Time deposits	31,372.3	1,159.9	3.70%	44,479.5	1,626.6	3.66%	41,352.2	868.2	2.10%
Demand deposits	26,497.7	168.3	0.63%	37,591.0	290.3	0.77%	45,187.9	258.6	0.57%
Subtotal	**57,870.0**	**1,328.2**	**2.30%**	**82,070.5**	**1,916.9**	**2.34%**	**86,540.1**	**1,126.8**	**1.30%**
Retail deposits									
Time deposits	15,163.9	860.9	5.68%	37,583.9	1,909.1	5.08%	38,397.2	1,675.9	4.36%
Demand deposits	5,166.2	23.3	0.45%	10,784.1	61.8	0.57%	17,857.3	85.4	0.48%
Subtotal	**20,330.1**	**884.2**	**4.35%**	**48,368.0**	**1,970.9**	**4.07%**	**56,254.5**	**1,761.3**	**3.13%**
Total deposits from customers	**78,200.1**	**2,212.4**	**2.83%**	**130,438.5**	**3,887.8**	**2.98%**	**142,794.6**	**2,888.1**	**2.02%**

Note:
(1) Represents the average of daily balances based on our unaudited management accounts.

Interest expense on deposits from customers decreased by 25.7% from RMB3,887.8 million in 2015 to RMB2,888.1 million in 2016, primarily due to a decrease in the average cost of deposits from customers, from 2.98% in 2015 to 2.02% in 2016, partially offset by a 9.5% increase in the average balance of deposits from customers, from RMB130,438.5 million in 2015 to RMB142,794.6 million in 2016. The decrease in the average cost of deposits from customers was primarily due to lower interest rates of our deposit products resulting from five reductions in PBoC benchmark interest rates in 2015.

Interest expense on deposits from customers increased by 75.7% from RMB2,212.4 million in 2014 to RMB3,887.8 million in 2015, primarily due to a 66.8% increase in the average balance of deposits from customers, from RMB78,200.1 million in 2014 to RMB130,438.5 million in 2015, and an increase in the average cost of deposits from customers, from 2.83% in 2014 to 2.98% in 2015. The decrease in the average cost of deposits from customers was primarily due to lower interest rates of our deposit products resulting from the reductions in PBoC benchmark interest rates in 2014 and 2015.

2016 Compared to 2015

Interest expense on corporate deposits decreased by 41.2% from RMB1,916.9 million in 2015 to RMB1,126.8 million in 2016, primarily due to a decrease in the average cost of corporate deposits, from 2.34% in 2015 to 1.30% in 2016, partially offset by a 5.4% increase in the average balance of corporate deposits, from RMB82,070.5 million in 2015 to RMB86,540.1 million in 2016. The decrease in average cost was primarily due to five reductions in PBoC benchmark interest rates in 2015. The increase in average balance was primarily attributable to the growth of our corporate customer base due to our enhanced marketing efforts.

Interest expense on retail deposits decreased by 10.6% from RMB1,970.9 million in 2015 to RMB1,761.3 million in 2016, primarily due to a decrease in the average cost of retail deposits, from 4.07% in 2015 to 3.13% in 2016, partially offset by a 16.3% increase in the average balance of retail deposits, from RMB48,368.0 million in 2015 to RMB56,254.5 million in 2016. The decrease in average cost was primarily due to five reductions in PBoC benchmark interest rates in 2015. The increase in average balance was primarily attributable to the expansion of our branch network and electronic banking distribution channels, such as self-service banking and mobile banking, our wider range of products and services and our expanded retail customer base.

2015 Compared to 2014

Interest expense on corporate deposits increased by 44.3% from RMB1,328.2 million in 2014 to RMB1,916.9 million in 2015, primarily due to an increase in the average cost of corporate deposits, from 2.30% in 2014 to 2.34% in 2015, and a 41.8% increase in the average balance of corporate deposits, from RMB57,870.0 million in 2014 to RMB82,070.5 million in 2015. The increase in average cost was primarily due to increased market competition, reflecting increased interest rate liberalization. The increase in average balance was primarily attributable to the growth of our corporate customer base due to our enhanced marketing efforts.

Interest expense on retail deposits increased by 122.9% from RMB884.2 million in 2014 to RMB1,970.9 million in 2015, primarily due to a 137.9% increase in the average balance of retail deposits, from RMB20,330.1 million in 2014 to RMB48,368.0 million in 2015, partially offset by a decrease in the average cost of retail deposits, from 4.35% in 2014 to 4.07% in 2015. The increase in average balance was primarily attributable to the expansion of our branch network and electronic banking distribution channels, such as self-service banking and mobile banking, our wider range of products and services and our expanded retail customer base. The decrease in average cost was primarily due to the reduction in PBoC benchmark interest rates in November 2014 and five additional reductions in PBoC benchmark interest rates in 2015.

Interest Expense on Financial Assets Sold under Repurchase Agreements and Placements from Banks and Other Financial Institutions

2016 Compared to 2015

Interest expense on financial assets sold under repurchase agreements and placements from banks and other financial institutions decreased by 40.3% from RMB156.8 million in 2015 to RMB93.6 million in 2016, mainly due to a decrease in the average cost of financial assets sold under repurchase agreements and placements from banks and other financial institutions, from 5.02% in 2015 to 2.31% in 2016, partially offset by an 29.6% increase in the average balance of financial assets sold under repurchase agreements and placements from banks and other financial institutions, from RMB3,126.1 million in 2015 to RMB4,051.4 million in 2016. The increase in average balance was primarily because we entered into more repurchase transactions to diversify our financing channels. The decrease in average cost was primarily due to lower market interest rates as market liquidity improved, which in turn led to a decrease in the cost of repurchase transactions.

2015 Compared to 2014

Interest expense on financial assets sold under repurchase agreements and placements from banks and other financial institutions increased by 346.7% from RMB35.1 million in 2014 to RMB156.8 million in 2015, primarily due to a 333.0% increase in the average balance of financial assets sold under repurchase agreements and placements from banks and other financial institutions, from RMB721.9 million in 2014 to RMB3,126.1 million in 2015. The increase in average balance was primarily because we entered into more repurchase transactions to diversify our financial channels. The average cost on financial assets sold under repurchase agreements and placements from banks and other financial institutions remained relatively stable at 4.86% and 5.02% in 2014 and 2015, respectively.

Interest Expense on Debt Securities Issued

2016 Compared to 2015

Interest expense on debt securities issued increased by 1,170.1% from RMB35.1 million in 2015 to RMB445.8 million in 2016, mainly due to a 1,108.4% increase in the average balance of debt securities issued, from RMB1,020.4 million in 2015 to RMB12,331.4 million in 2016 and an increase in the average cost of debt securities issued, from 3.44% in 2015 to 3.62% in 2016. The increase in average balance was primarily due to our issuance of interbank certificates in an aggregate principal amount of RMB35,890.0 million in 2016. The increase in average cost was primarily because we issued interbank certificates, which had relatively long maturities, in a rising interest rate environment.

2015 Compared to 2014

We did not issue debt securities in 2014. In 2015, interest expense on debt securities issued was RMB35.1 million, primarily because (i) we issued RMB3,200 million of tier-two capital bonds in December 2015, and (ii) we issued interbank certificates in an aggregate principal amount of RMB7,740.0 million in 2015.

Interest Expense on Deposits from Banks and Other Financial Institutions

2016 Compared to 2015

Interest expense on deposits from banks and other financial institutions increased by 0.5% from RMB1,809.0 million in 2015 to RMB1,817.9 million in 2016, primarily due to a 34.6% increase in the average balance of deposits from banks and other financial institutions, from RMB27,552.1 million in 2015 to RMB37,089.3 million in 2016, partially offset by a decrease in the average cost of deposits from banks and other financial institutions, from 6.57% in 2015 to 4.90% in 2016. The increase in average balance was primarily due to an increase in fund raising through deposits from banks and other financial institutions to fund our business growth. The decrease in average cost was primarily due to lower market interest rates as market liquidity improved, which in turn led to in a decrease in the cost of deposits from banks and other financial institutions.

2015 Compared to 2014

Interest expense on deposits from banks and other financial institutions decreased by 20.3% from RMB2,269.0 million in 2014 to RMB1,809.0 million in 2015, primarily due to a 13.4% decrease in the average balance of deposits from banks and other financial institutions, from RMB31,821.3 million in 2014 to RMB27,552.1 million in 2015 and a decrease in the average cost of deposits from banks and other financial institutions, from 7.13% in 2014 to 6.57% in 2015. The decrease in average balance was mainly because we reduced fund raising through deposits from banks and other financial institutions as a result of increased deposits from customers and our issuance of interbank certificates and tier-two capital bonds. The decrease in average cost was primarily due to lower market interest rates as market liquidity improved, which in turn led to in a decrease in the cost of deposits from banks and other financial institutions.

Interest Expense on Borrowing from the Central Bank

2016 Compared to 2015

Interest expense on borrowing from the central bank increased by 38.7% from RMB106.3 million in 2015 to RMB147.4 million in 2016, primarily due to a 45.9% increase in the average balance of borrowing from the central bank, from RMB3,218.0 million in 2015 to RMB4,695.2 million in 2016. The increase in average balance was primarily due to an increase in borrowing from the PBoC to fund the growth of our small and micro enterprises businesses and bills-related business.

2015 Compared to 2014

Interest expense on borrowing from the central bank increased by 146.1% from RMB43.2 million in 2014 to RMB106.3 million in 2015, primarily due to a 151.0% increase in the average balance of borrowing from the central bank, from RMB1,282.0 million in 2014 to RMB3,218.0 million in 2015. The increase in average balance was primarily due to an increase in borrowing from the PBoC to fund the growth of our small and micro enterprises businesses and bills-related business.

Net Interest Spread and Net Interest Margin

2016 Compared to 2015

Net interest spread increased from 2.79% in 2015 to 2.89% in 2016, primarily due to a decrease in the average cost of total interest-bearing liabilities, from 3.62% to 2.68%, primarily reflecting lower interest expense on our deposit products resulting from multiple reductions in PBoC benchmark interest rates in 2015, and lower market interest rates. The decrease was partially offset by a decrease in the average yield of total interest-earning assets, from 6.41% to 5.57%, primarily due to (i) a decrease in the average yield of loans and advances to customers, primarily due to reductions in PBoC benchmark interest rates in 2015 and increased market competition, and (ii) a decrease in the average yield of investment securities and other financial assets, primarily reflecting lower market interest rates as market liquidity improved.

Net interest margin increased from 2.96% in 2015 to 3.08% in 2016, primarily attributable to the growth in net interest income, which outpaced the growth in the daily average balance of interest-earning assets.

2015 Compared to 2014

Net interest spread increased from 2.56% in 2014 to 2.79% in 2015, primarily due to a decrease in the average cost of total interest-bearing liabilities, from 4.07% to 3.62%, primarily reflecting lower interest expense on our deposit products resulting from multiple reductions in PBoC benchmark interest rates in 2015 and lower market interest rates. The decrease was partially offset by a decrease in the average yield of total interest-earning assets, from 6.63% to 6.41%, primarily due to (i) a decrease in the average yield of loans and advances to customers, primarily due to increased market competition, and (ii) a decrease in the average yield of investment securities and other financial assets, primarily reflecting lower market interest rates as market liquidity improved.

Net interest margin increased from 2.85% in 2014 to 2.96% in 2015, primarily attributable to the growth in net interest income, which outpaced the growth in the daily average balance of interest-earning assets.

Net Fee and Commission Income

Net fee and commission income represented 3.8%, 2.7% and 3.7% of operating income in 2014, 2015 and 2016, respectively. The table below sets forth our principal components of net fee and commission income for the periods indicated.

	Year ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Fee and commission income			
Wealth management service fees	43.8	39.8	125.0
Agency service fees	41.9	67.2	99.6
Settlement and clearing fees	19.1	27.4	41.3
Bank acceptance bill service fees	38.2	48.4	31.2
Letters of guarantee fees	1.2	7.6	5.7
Others[(1)]	21.8	8.3	24.6
Subtotal	**166.0**	**198.7**	**327.4**
Fee and commission expenses	**(27.4)**	**(57.3)**	**(71.1)**
Net fee and commission income	**138.6**	**141.4**	**256.3**

Note:
(1) Primarily includes guarantee fees and advisory service income.

Fee and Commission Income

Net fee and commission income increased by 81.3% from RMB141.4 million in 2015 to RMB256.3 million in 2016, primarily due to the increases in wealth management service fees and agency service fees.

Net fee and commission income increased by 2.0% from RMB138.6 million in 2014 to RMB141.4 million in 2015, primarily due to the increases in agency service fees, bank acceptance bill service fees and settlement and clearing fees.

Wealth Management Service Fees

Wealth management service fees increased by 214.1% from RMB39.8 million in 2015 to RMB125.0 million in 2016, primarily due to an increase in the volume of non-guaranteed wealth management products issued by us. Wealth management service fees decreased by 9.1% from RMB43.8 million in 2014 to RMB39.8 million in 2015, mainly due to a decrease in returns on the non-guaranteed wealth management products issued by us as a result of decreases in market interest rates.

Agency Service Fees

Agency service fees increased by 60.4% from RMB41.9 million in 2014 to RMB67.2 million in 2015, and further increased by 48.2% to RMB99.6 million in 2016, mainly reflecting the growth of our entrusted loan business and our commencement of precious metal business in August 2015.

Settlement and Clearing Fees

Settlement and clearing fees increased by 43.5% from RMB19.1 million in 2014 to RMB27.4 million in 2015, and further increased by 50.7% to RMB41.3 million in 2016, primarily due to an increase in the volume of settlement transactions.

Bank Acceptance Bill Service Fees

Bank acceptance bill service fees decreased by 35.5% from RMB48.4 million in 2015 to RMB31.2 million in 2016, mainly due to a decrease in bank acceptance bills issued. Bank acceptance bill service fees increased by 26.7% from RMB38.2 million in 2014 to RMB48.4 million in 2015, primarily reflecting an increase in bank acceptance bill issued.

Letters of Guarantee Fees

Letters of guarantee fees decreased by 25.0% from RMB7.6 million in 2015 to RMB5.7 million in 2016, mainly due to our adjustment of fee rates for certain letters of guarantee customers because of market competition. Letters of guarantee fees increased by 533.3% from RMB1.2 million in 2014 to RMB7.6 million in 2015, mainly due to the growth in our guarantee business.

Fee and Commission Expenses

Fee and commission expenses increased by 109.1% from RMB27.4 million in 2014 to RMB57.3 million in 2015, and further increased by 24.1% to RMB71.1 million in 2016, mainly due to increases in debit cards issued and a higher volume of debit card transactions, which led to an increase in relevant expenses.

Net Trading Gains/(Losses)

Net trading gains/(losses) primarily included gains from selling, and the fair value changes of, financial assets held for trading. We had net trading losses of RMB6.1 million and RMB8.0 million in 2015 and 2016, respectively, primarily reflecting fluctuations in market interest rates. We did not incur any trading gains or losses in 2014.

Net Gains/(Losses) from Investment Securities and Other Financial Assets

We did not dispose of any investment securities in 2014 or 2016. As a result, we did not incur any gains or losses from investment securities and other financial assets. We had net losses from investment securities and other financial assets of RMB1.0 million in 2015, mainly reflecting losses from our sale of available-for-sale financial assets.

Net Exchange (Losses)/Gains

We had net exchange gains of RMB6.3 million and RMB9.9 million in 2015 and 2016, respectively, and net exchange losses of RMB1.2 million in 2014, primarily reflecting fluctuations in exchange rates.

Other Operating Income

Other operating income increased by 50.7% from RMB28.2 million in 2015 to RMB42.5 million in 2016, primarily attributable to an increase in government subsidies, reflecting our efforts to develop our agriculture-related loan business. Other operating income decreased by 11.9% from RMB32.0 million in 2014 to RMB28.2 million in 2015, primarily due to our receipt of one-off government subsidies in 2014 used for establishing outlets.

Operating Expenses

The table below sets forth the principal components of operating expenses for the periods indicated.

	Year ended December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Staff costs	504.8	40.1%	847.1	46.3%	1,007.1	52.9%
General management and administrative expenses	408.4	32.5%	430.3	23.5%	433.1	22.7%
Property and equipment expenses	151.5	12.0%	245.3	13.4%	313.7	16.5%
Business tax and surcharges	193.9	15.4%	307.3	16.8%	149.9	7.9%
Total	**1,258.6**	**100.0%**	**1,830.0**	**100.0%**	**1,903.8**	**100.0%**
Cost-to-income ratio[(1)]	**29.56%**		**28.72%**		**25.16%**	

Note:

(1) Calculated by dividing total operating expenses (net of business tax and surcharges) by total operating income.

Operating expenses increased by 4.0% from RMB1,830.0 million in 2015 to RMB1,903.8 million in 2016, primarily due to an increase in staff costs, partially offset by a decrease in business taxes and surcharges. Our cost-to-income ratio decreased from 28.72% in 2015 to 25.16% in 2016, mainly due to an increase in operating income, which outweighed the increase in operating expenses (net of business tax and surcharges).

Operating expenses increased by 45.4% from RMB1,258.6 million in 2014 to RMB1,830.0 million in 2015, primarily due to increases in staff costs, property and equipment expenses and business taxes and surcharges. Our cost-to-income ratio decreased from 29.56% in 2014 to 28.72% in 2015, principally due to a substantial increase in our operating income, which outweighed the increase in operating expenses (net of business tax and surcharges).

Staff Costs

Staff costs constituted the largest component of operating expenses, representing 40.1%, 46.3% and 52.9% of total operating expenses in 2014, 2015 and 2016, respectively.

The table below sets forth the components of staff costs for the periods indicated.

	Year ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Salaries and bonuses	401.4	677.3	789.1
Social insurance	55.7	101.0	117.5
Housing allowances	17.2	29.3	36.7
Staff welfares	21.2	27.4	34.3
Labor union and staff education expenses	7.3	11.6	15.3
Others	2.0	0.5	14.2
Staff costs	**504.8**	**847.1**	**1,007.1**

Staff costs increased by 67.8% from RMB504.8 million in 2014 to RMB847.1 million in 2015 and further increased by 18.9% to RMB1,007.1 million in 2016, primarily reflecting an increase in the number of employees driven by the expansion of our business.

Property and Equipment Expenses

Property and equipment expenses increased by 61.9% from RMB151.5 million in 2014 to RMB245.3 million in 2015, and further increased by 27.9% to RMB313.7 million in 2016. The increases in property and equipment expenses mainly reflected an increase in depreciation on properties of newly established branches due to our branch network expansion, and an increase in depreciation on equipment due to our development of new IT systems.

Business Tax and Surcharges

Business tax and surcharges decreased by 51.2% from RMB307.3 million in 2015 to RMB149.9 million in 2016. Business tax and surcharges decreased primarily because we began to pay VAT instead of business tax in May 2016 as a result of China's pilot reform for the transition from business tax to VAT. Business tax and surcharges increased by 58.5% from RMB193.9 million in 2014 to RMB307.3 million in 2015, mainly reflecting an increase in taxable income driven by our business growth.

General Management and Administrative Expenses

In 2014, 2015 and 2016, general management and administrative expenses remained stable at RMB408.4 million, RMB430.3 million and RMB433.1 million, respectively.

Impairment Losses on Assets

The table below sets forth the principal components of impairment losses on assets for the periods indicated.

	Year ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Loans and advances to customers	564.9	1,486.5	1,336.2
Debt securities classified as receivables	309.9	233.6	1,162.0
Held-to-maturity investments	18.7	(0.0)	3.8
Interest receivable	—	0.2	—
Other receivables[(1)]	44.5	0.2	2.4
Impairment losses on assets	**938.0**	**1,720.5**	**2,504.4**

Note:
(1) Primarily includes interest receivables, advance payment and repossessed assets.

Impairment losses on assets increased by 83.4% from RMB938.0 million in 2014 to RMB1,720.5 million in 2015, mainly due to higher provisions for impairment losses on loans and advances to customers.

Impairment losses on assets increased by 45.6% from RMB1,720.5 million in 2015 to RMB2,504.4 million in 2016, mainly due to a 397.4% increase in impairment loss on debt securities classified as receivables, from RMB233.6 million in 2015 to RMB1,162.0 million in 2016. This was primarily due to our adoption of more conservative provisioning practices as the growth in the PRC economy slowed.

Profit before Tax

As a result of the foregoing, our profit before tax increased by 24.5% from RMB1,408.6 million in 2014 to RMB1,753.7 million in 2015 and further increased by 46.2% to RMB2,564.6 million in 2016.

Income Tax Expense

The table below sets forth our reconciliation between income tax expense calculated based on the applicable statutory income tax rate and actual income tax expense for the periods indicated.

	Year ended December 31,		
	2014	2015	2016
	(in millions of RMB)		
Profit before tax	1,408.6	1,753.7	2,564.6
Tax at domestic income tax rate of 25%	352.2	438.4	641.2
Tax effect of expenses not deductible for tax purpose(1)	3.9	3.2	10.9
Tax effect of income that is not taxable for tax purpose(2)	(0.3)	(0.3)	(6.8)
Under/(over) provision in respect of prior years	0.9	15.3	—
Income tax on concessionary rate	—	(1.0)	(1.2)
Decrease in opening deferred tax assets resulting from a decrease in applicable tax rate	—	0.1	—
Tax effect of share of profit of an associate	(0.7)	(0.4)	(0.5)
Others	(10.0)	—	—
Income tax expense	**346.0**	**455.3**	**643.6**

Notes:
(1) Expenses not deductible for tax purpose consist of a portion of expenditures, such as entertainment expenses and donations, which exceed the tax deduction limits in accordance with PRC tax regulations.
(2) Income not taxable for tax purpose consists of interest income of micro loans to farmers, which is exempted from income tax under the PRC tax regulations.

Income tax expense increased by 31.6% from RMB346.0 million in 2014 to RMB455.3 million in 2015, and further increased by 41.4% to RMB643.6 million in 2016. The increase in income tax expense was in line with the growth in our business. Effective tax rates were 24.6%, 26.0% and 25.1% in 2014, 2015 and 2016, respectively.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 22.2% from RMB1,062.6 million in 2014 to RMB1,298.4 million in 2015 and further increased by 48.0% to RMB1,921.0 million in 2016.

SUMMARY OF SEGMENT RESULTS

Summary of Business Segments

We operate three principal lines of business: corporate banking, retail banking and financial market operations. The table below sets forth the operating income for each of our principal business segments for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in millions of RMB, except percentages)									
Corporate banking	1,805.6	50.1%	3,122.5	58.9%	4,077.7	58.5%	2,024.4	61.9%	2,111.8	52.2%
Retail banking	622.4	17.3%	226.0	4.3%	767.2	11.0%	273.4	8.4%	370.1	9.1%
Financial market operations	1,118.4	31.0%	1,916.5	36.1%	2,050.8	29.4%	955.8	29.2%	1,474.8	36.4%
Others[(1)]	56.0	1.6%	37.8	0.7%	75.2	1.1%	15.9	0.5%	93.8	2.3%
Total operating income	**3,602.4**	**100.0%**	**5,302.8**	**100.0%**	**6,970.9**	**100.0%**	**3,269.5**	**100.0%**	**4,050.5**	**100.0%**

Note:

(1) Primarily represent assets, liabilities, income and expenses which cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.

Profit for the Year

The following table sets forth the operating results of each of our main business segments for the periods indicated.

	Six months ended June 30,									
	2016					2017				
	Corporate banking	Retail banking	Financial market operations	Others[1]	Total	Corporate banking	Retail banking	Financial market operations	Others[1]	Total
			(unaudited)							
	(in millions of RMB)									
External interest income, net[2]	2,145.0	(651.4)	1,684.5	—	3,178.1	2,379.8	(842.1)	2,212.9	—	3,750.6
Inter-segment interest income/(expenses), net[3]	(179.3)	938.5	(759.2)	—	—	(351.6)	1,211.0	(859.4)	—	—
Net interest income	1,965.7	287.1	925.3	—	3,178.1	2,028.2	368.9	1,353.5	—	3,750.6
Net fees and commissions income	58.7	(13.7)	24.2	10.5	79.7	83.6	1.2	125.2	14.5	224.5
Net trade income/(expense)	—	—	6.3	—	6.3	—	—	(3.9)	—	(3.9)
Net investment securities loss	—	—	—	—	—	—	—	—	—	—
Foreign exchange gains/(losses)	—	—	—	3.1	3.1	—	—	—	(4.7)	(4.7)
Other operating income[4]	—	—	—	2.3	2.3	—	—	—	84.0	84.0
Operating income	**2,024.4**	**273.4**	**955.8**	**15.9**	**3,269.5**	**2,111.8**	**370.1**	**1,474.8**	**93.8**	**4,050.5**
Operating expenses	(543.0)	(73.3)	(256.3)	(4.3)	(876.9)	(439.1)	(76.9)	(306.7)	(19.5)	(842.2)
Impairment losses on assets	(720.3)	(50.1)	(665.0)	(3.5)	(1,438.9)	(331.8)	(80.7)	(76.8)	(7.8)	(497.1)
Operating profit	761.1	150.0	34.5	8.1	953.7	1,340.9	212.5	1,091.3	66.5	2,711.2
Share of profit of associates	—	—	—	0.6	0.6	—	—	—	0.9	0.9
Profit before tax	**761.1**	**150.0**	**34.5**	**8.7**	**954.3**	**1,340.9**	**212.5**	**1,091.3**	**67.4**	**2,712.1**

Notes:
(1) Primarily includes income and expenses which cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.
(2) Represents net income and expenses from third parties.
(3) Represents inter-segment expenses and consideration of transfers.
(4) Primarily includes government subsidies and income from short-term leases and disposal of fixed assets and repossessed assets.

	Year ended December 31,														
	2014					2015					2016				
	Corporate banking	Retail banking	Financial market operations	Others[1]	Total	Corporate banking	Retail banking	Financial market operations	Others[1]	Total	Corporate banking	Retail banking	Financial market operations	Others[1]	Total
	(in millions of RMB)														
External interest income, net[2]	1,628.1	(756.6)	2,561.5	—	3,433.0	2,856.7	(1,645.9)	3,923.2	—	5,134.0	4,481.6	(1,300.8)	3,489.4	—	6,670.2
Inter-segment interest income/(expenses), net[3]	100.7	1,386.2	(1,486.9)	—	—	139.9	1,899.5	(2,039.4)	—	—	(541.7)	2,097.3	(1,555.6)	—	—
Net interest income	1,728.8	629.6	1,074.6	—	3,433.0	2,996.6	253.6	1,883.8	—	5,134.0	3,939.9	796.5	1,933.8	—	6,670.2
Net fees and commissions income	76.8	(7.2)	43.8	25.2	138.6	125.9	(27.6)	39.8	3.3	141.4	137.8	(29.3)	125.0	22.8	256.3
Net trading losses	—	—	—	—	—	—	—	(6.1)	—	(6.1)	—	—	(8.0)	—	(8.0)
Net losses arising from investment securities	—	—	—	—	—	—	—	(1.0)	—	(1.0)	—	—	—	—	—
Foreign exchange (losses)/ gains	—	—	—	(1.2)	(1.2)	—	—	—	6.3	6.3	—	—	—	9.9	9.9
Other operating income[4]	—	—	—	32.0	32.0	—	—	—	28.2	28.2	—	—	—	42.5	42.5
Operating income	**1,805.6**	**622.4**	**1,118.4**	**56.0**	**3,602.4**	**3,122.5**	**226.0**	**1,916.5**	**37.8**	**5,302.8**	**4,077.7**	**767.2**	**2,050.8**	**75.2**	**6,970.9**
Operating expenses	(630.8)	(217.4)	(390.8)	(19.6)	(1,258.6)	(1,077.6)	(78.0)	(661.3)	(13.1)	(1,830.0)	(1,113.7)	(209.5)	(560.1)	(20.5)	(1,903.8)
Impairment losses on assets	(465.8)	(35.6)	(392.1)	(44.5)	(938.0)	(1,278.9)	(86.6)	(354.8)	(0.2)	(1,720.5)	(1,041.9)	(152.2)	(1,307.9)	(2.4)	(2,504.4)
Operating profit	709.0	369.4	335.5	(8.1)	1,405.8	766.0	61.4	900.4	24.5	1,752.3	1,922.1	405.5	182.8	52.3	2,562.7
Share of profit of an associate	—	—	—	2.8	2.8	—	—	—	1.4	1.4	—	—	—	1.9	1.9
Profit before tax	**709.0**	**369.4**	**335.5**	**(5.3)**	**1,408.6**	**766.0**	**61.4**	**900.4**	**25.9**	**1,753.7**	**1,922.1**	**405.5**	**182.8**	**54.2**	**2,564.6**

Notes:

(1) Primarily includes income and expenses which cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.

(2) Represents net income and expenses from third parties.

(3) Represents inter-segment expenses and consideration of transfers.

(4) Primarily includes government subsidies and income from short-term leases and disposal of fixed assets and repossessed assets.

CASH FLOWS

The table below sets forth our cash flows for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(unaudited)	
	(in millions of RMB)				
Net cash from/(used in) operating activities	41,853.0	(1,624.6)	12,323.8	(3,114.3)	(10,660.4)
Net cash (used in)/from investing activities	(42,425.4)	(4,231.1)	(13,543.9)	1,146.3	23,186.6
Net cash from financing activities	2,988.9	5,902.7	3,226.5	6,653.9	11,065.4
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	—	—	—
Net increase in cash and cash equivalents	**2,416.5**	**47.0**	**2,006.4**	**4,685.9**	**23,591.6**

Cash Flows from/(used in) Operating Activities

Cash inflows from operating activities are primarily attributable to increases in (1) deposits from customers, (2) financial assets sold under repurchase agreements, (3) deposits and placements from banks and other financial institutions, and (4) borrowings from the central bank.

Cash outflows from operating activities are primarily attributable to increases in (1) loans and advances to customers, (2) financial assets at fair value through profit or loss, (3) deposits and placements with banks and other financial institutions, and (4) deposits with the central bank.

Net cash used in the six months ended June 30, 2017 was RMB10,660.4 million, primarily attributable to (1) a RMB10,752.4 million increase in deposits with banks, reflecting our efforts to manage liquidity, (2) a RMB10,314.8 million increase in loans and advances to customers, primarily due to the growth of our corporate banking and retail banking business, (3) a RMB7,117.6 million decrease in deposits and placements from banks and other financial institutions, primarily because we decreased fund raising through deposits from banks and other financial institutions, which were partially offset by a RMB15,776.2 million increase in deposits from customers, primarily due to our enhanced efforts to grow corporate deposits and retail deposits.

Net cash used in the six months ended June 30, 2016 was RMB3,114.3 million, primarily attributable to (1) a RMB8,954.2 million increase in loans and advances to customers, primarily due to the growth of our corporate banking and retail banking business, and (2) a RMB3,066.5 million decrease in financial assets sold under repurchase agreements, primarily due to our decreased use of repurchase transactions to fund our business growth, which were partially offset by a RMB3,445.0 million increase in deposits from customers, primarily due to our enhanced efforts to grow corporate deposits and retail deposits.

Net cash generated in 2016 was RMB12,323.8 million, primarily attributable to a RMB17,228.4 million increase in loans and advances to customers, primarily due to the growth of our corporate banking and retail banking business, which was partially offset by a RMB30,144.7 million increase in deposits from customers, primarily due to our enhanced marketing efforts to grow corporate deposits and retail deposits.

Net cash used in 2015 was RMB1,624.6 million, primarily attributable to a RMB34,175.2 million increase in loans and advances to customers, primarily due to the growth of our corporate banking and retail banking business, which was partially offset by a RMB30,479.0 million increase in deposits from customers, primarily due to our enhanced marketing efforts to grow corporate deposits and retail deposits.

Net cash generated in 2014 was RMB41,853.0 million, primarily attributable to a RMB26,475.4 million increase in loans and advances to customers, primarily due to the growth of our corporate banking and retail banking business, which was partially offset by a RMB54,667.4 million increase in deposits from customers, primarily due to our enhanced marketing efforts to grow corporate deposits and retail deposits.

Cash Flows (used in)/from Investing Activities

Cash inflows from investing activities are primarily attributable to proceeds from disposal of investments. We received cash from the disposal of investments of RMB109,790.9 million, RMB87,834.4 million, RMB118,808.2 million, RMB55,675.2 million and RMB60,479.0 million in 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, respectively.

Cash outflows from investing activities are primarily attributable to payments for investments. We used cash for payments on the acquisition of investments of RMB154,890.4 million, RMB96,106.3 million, RMB136,541.7 million, RMB56,729.9 million and RMB38,610.8 million in 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, respectively.

Cash Flows from Financing Activities

Cash inflows from financing activities are primarily attributable to proceeds from issuance of new debt securities and capital contributions from equity shareholders. We received proceeds from issuance of new debt securities of nil, RMB10,900.5 million, RMB35,519.3 million, RMB20,483.0 million and RMB30,413.6 million in 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, respectively. We received capital contributions from shareholders of RMB2,923.2 million in 2014. We did not receive any capital contributions from shareholders in 2015 and 2016 and the six months ended June 30, 2016 and 2017.

Cash outflows from financing activities are primarily due to repayment of debt securities issued. We repaid debt securities of nil, RMB5,010.0 million, RMB31,570.0 million, RMB13,228.4 million and RMB19,400.0 million in 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, respectively.

LIQUIDITY

We funds our loan and investment portfolios principally through customer deposits. Deposits from customers have been, and we believe will continue to be, a stable source of funding. Customer deposits with remaining maturities of less than one year represented 95.0%, 87.4%, 73.4% and 70.5% of total deposits from customers as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.

We manage liquidity primarily by monitoring the maturities of assets and liabilities to ensure that we have sufficient funds to meet obligations as they become due. We have been focusing on maintaining stable sources of funding and increasing our customer deposits. We also invest in a significant amount of assets with high liquidity, such as government bonds and policy bank bonds, as well as financial assets with short maturities, such as financial assets held under resale agreements and discounted bills.

The table below sets forth the remaining maturities of our assets and liabilities as of June 30, 2017.

	Indefinite	Overdue/ on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	(in millions of RMB)						
Assets							
Loans and advances to customers	1,727.5	768.9	14,890.7	53,404.1	35,111.2	8,019.9	113,922.3
Cash and deposits with the central bank	22,151.6	4,466.8	—	—	—	—	26,618.4
Deposits with banks	—	5,977.5	28,965.4	7,832.0	—	—	42,774.9
Financial assets held under resale agreements	—	—	15,749.2	—	—	—	15,749.2
Debt securities classified as receivables	—	—	11,331.0	16,640.0	17,841.4	1,764.0	47,576.4
Financial assets at fair value through profit and loss	—	—	—	—	541.9	—	541.9
Available-for-sale financial assets	314.2	—	372.2	3,974.2	3,680.5	1,947.4	10,288.5
Held-to-maturity investments	—	—	156.1	1,370.4	4,891.7	396.6	6,814.8
Interests receivable	—	—	451.1	244.2	245.7	27.0	968.0
Others(1)	2,517.6	0.4	—	1,379.2	203.0	—	4,100.2
Total assets	**26,710.9**	**11,213.6**	**71,915.7**	**84,844.1**	**62,515.4**	**12,154.9**	**269,354.6**
Liabilities							
Deposits from customers	—	103,482.4	13,872.3	14,497.4	55,072.5	6.9	186,931.5
Financial assets sold under repurchase agreements	—	—	7,572.9	—	—	—	7,572.9
Debt securities issued	—	—	5,670.7	9,597.9	2,997.2	3,190.6	21,456.4
Deposits from banks and other financial institutions	—	296.9	9,476.0	18,237.0	600.0	—	28,609.9
Interests payable	—	2,962.4	101.8	152.7	119.0	—	3,335.9
Borrowing from the central bank	—	—	3,131.8	1,778.6	—	—	4,910.4
Placements from banks and other financial institutions	—	—	—	—	50.0	—	50.0
Others(2)	—	368.1	751.4	—	—	—	1,119.5
Total liabilities	**—**	**107,109.8**	**40,576.9**	**44,263.6**	**58,838.7**	**3,197.5**	**253,986.5**
New working capital	**26,710.9**	**(95,896.2)**	**31,338.8**	**40,580.5**	**3,676.7**	**8,957.4**	**15,368.1**

Notes:
(1) Primarily includes property and equipment, goodwill and deferred assets from income tax.
(2) Primarily includes accrued staff costs and taxes payable.

CAPITAL RESOURCES

Shareholders' equity

Shareholders' equity increased by 12.5% from RMB10,749.9 million as of December 31, 2014 to RMB12,094.7 million as of December 31, 2015, and further increased by 10.3% to RMB13,343.7 million as of December 31, 2016. As of June 30, 2017, our shareholders' equity amount to RMB15,368.1 million.

The table below sets forth our changes in shareholders' equity for the periods indicated.

	Shareholders' equity
	(in millions of RMB)
As of January 1, 2014	**6,722.1**
Share capital	2,237.1
Capital reserve	937.9
Defined benefit plan reserve	(1.8)
Investment revaluation reserve	2.8
Surplus reserve	105.6
General reserve	548.0
Retained earnings	184.7
Minority interests	13.5
As of December 31, 2014	**10,749.9**
Share capital	389.1
Capital reserve	8.5
Defined benefit plan reserve	(1.4)
Investment revaluation reserve	40.0
Surplus reserve	129.0
General reserve	793.3
Retained earnings	(16.7)
Minority interests	3.0
As of December 31, 2015	**12,094.7**
Share capital	—
Capital reserve	1.9
Defined benefit plan reserve	(1.0)
Investment revaluation reserve	(70.0)
Surplus reserve	191.2
General reserve	1,327.7
Retained earnings	(203.8)
Minority interests	3.0
As of December 31, 2016	**13,343.7**
Share capital	—
Capital reserve	—
Defined benefit plan reserve	1.8
Investment revaluation reserve	(23.2)
Surplus reserve	—
General reserve	—
Retained earnings	2,042.0
Minority interests	3.8
As of June 30, 2017	**15,368.1**

Debt

Debt Securities Issued

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the balance of outstanding debt securities amounted to nil, RMB5,903.0 million, RMB10,134.9 million and RMB21,456.4 million, respectively. The increase in outstanding debt securities was primarily due to our issuance of tier-two capital bonds in December 2015, interbank certificates in 2015 and 2016 and the six months ended

June 30, 2017, and three tranches of financial bonds in 2017. See “Assets and Liabilities—Liabilities and Sources of Funds—Debt Securities Issued”.

Capital Adequacy

We are required to comply with CBRC’s capital adequacy ratio requirements. Since January 1, 2015, we have calculated and disclosed capital adequacy ratios in accordance with the Capital Administrative Measures, which required China’s commercial banks (except systematically important banks) to maintain (i) minimum capital adequacy ratios of 8.9%, 9.3%, 9.7% and 10.1%, (ii) minimum tier-one capital adequacy ratios of 6.9%, 7.3%, 7.7% and 8.1%, and (iii) minimum core tier-one capital adequacy ratios of 5.9%, 6.3%, 6.7% and 7.1%, as of 2014, 2015 and 2016 and June 30, 2017, in each case respectively.

The following table sets forth certain information relating to our capital adequacy ratio as of the periods indicated.

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in millions of RMB, except percentages)			
Core capital				
Paid-up capital	7,136.9	7,526.0	7,526.0	7,526.0
Qualifying portion of capital reserve	1,754.8	1,763.3	1,765.2	1,765.2
Defined benefit scheme reserve	(1.8)	(3.1)	(4.2)	(2.3)
Investment revaluation reserve	2.8	42.8	(27.1)	(50.3)
Surplus reserve	237.5	366.5	557.7	557.7
General risk reserve	1,105.1	1,898.4	3,226.1	3,226.1
Retained earnings	492.1	475.4	271.5	2,313.4
Qualifying portions of minority shareholders’ equities	17.5	21.5	18.8	21.0
Core tier-one capital deductions(1)	(42.5)	(51.5)	(54.1)	(30.8)
Net core tier-one capital	**10,702.4**	**12,039.3**	**13,279.9**	**15,326.0**
Other tier-one capital(2)	0.5	0.8	1.7	2.0
Net tier-one capital	**10,702.9**	**12,040.1**	**13,281.6**	**15,328.0**
Tier-two capital				
Instruments issued and share premium	—	3,187.0	3,189.3	3,190.6
Surplus reserve for loan impairment	759.5	816.6	1,786.0	2,085.0
Eligible portion of non-controlling interest	2.1	1.7	4.0	4.4
Net capital base	**11,464.5**	**16,045.4**	**18,260.9**	**20,608.0**
Total risk-weighted assets	**108,651.8**	**140,520.3**	**154,753.9**	**179,324.2**
Core tier-one capital adequacy ratio	**9.85%**	**8.57%**	**8.58%**	**8.55%**
Tier-one capital adequacy ratio	**9.85%**	**8.57%**	**8.58%**	**8.55%**
Capital adequacy ratio	**10.55%**	**11.42%**	**11.80%**	**11.49%**

Notes:

(1) Primarily includes other intangible assets excluding land use rights, goodwill and deferred tax recognized for tax losses.

(2) Primarily includes tier-one capital instruments such as preferred shares and their premiums.

We closely monitor capital adequacy ratios to ensure compliance with regulatory requirements. We may take various measures to comply with the applicable regulatory capital adequacy requirements, including (i) raising capital by issuing new shares and debt securities, (ii) increasing retained earnings by continually improving profitability, and (iii) managing the growth of risk-weighted assets.

OFF-BALANCE SHEET COMMITMENTS

Off-balance sheet commitments primarily consist of bank acceptances, letters of guarantee, operating lease commitments and capital commitments. The table below sets forth our contractual amounts of off-balance sheet commitments as of the dates indicated.

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in millions of RMB)			
Credit commitments				
Bank acceptances[1]	43,002.9	39,987.0	31,392.8	27,842.3
Letters of guarantee[2]	101.8	285.6	431.5	514.4
Subtotal	**43,104.7**	**40,272.6**	**31,824.3**	**28,356.7**
Operating lease commitments	**533.5**	**574.8**	**447.3**	**406.1**
Capital commitments	**59.0**	**293.9**	**142.5**	**79.6**
Total	**43,697.2**	**41,141.3**	**32,414.1**	**28,842.4**

Notes:

(1) Bank acceptances refer to our undertakings to pay bank bills drawn on its customers.

(2) We issue letters of credit and guarantee to third parties to guarantee its customers' contractual obligations.

Off-balance sheet commitments decreased by 5.8% from RMB43,697.2 million as of December 31, 2014 to RMB41,141.3 million as of December 31, 2015, and further decreased by 21.2% to RMB32,414.1 million as of December 31, 2016. As of June 30, 2017, off-balance sheet commitments amounted to RMB28,842.4 million. The decreases in off-balance sheet commitments were, primarily due to the decreases in bank acceptance bills issued.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The table below sets forth the face value of our off-balance sheet commitments by remaining contract maturity as of June 30, 2017.

	Up to 1 year	1 year up to 5 years	Over 5 years	Total
	(in millions of RMB)			
Certain on-balance sheet contractual obligations				
Fixed rates financial bonds	—	2,997.2	—	2,997.2
Tier-two capital bonds issued	—	—	3,190.6	3,190.6
Interbank certificate	15,268.6	—	—	15,268.6
Off-balance sheet contractual obligations				
Credit commitments	27,520.9	835.4	0.4	28,356.7
Operating lease commitments	155.1	230.0	21.0	406.1
Capital commitments	79.6	—	—	79.6
Total	**43,024.2**	**4,062.6**	**3,212.0**	**50,298.8**

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions with certain related parties, such as taking deposits from and extending credit facilities and providing other banking services to 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.

QUANTITATIVE AND QUALITATIVE ANALYSIS OF MARKET RISK

Market risk is the risk that values of our assets and liabilities or net income will be adversely affected by changes in market conditions. It mainly includes interest rate risk and foreign exchange risk. Such risks may arise from movements in market variables such as interest rates, foreign exchange rates, share price fluctuations and other market changes that affect risk-sensitive market instruments.

Interest Rate Risk

Interest rate risk primarily arises from mismatches between the repricing periods of interest-earning assets, interest-bearing liabilities and off-balance sheet items. We are also subject to trading interest rate risk arising from our treasury's investment portfolio. We assess interest rate risks through sensitivity analysis and manage interest rate risks by adjusting the maturity structure of our assets and liabilities from time to time.

Repricing Gap Analysis

The table below sets forth the results of our gap analysis based on the earlier of (i) the expected next repricing dates; and (ii) the final maturity dates for its assets and liabilities as of June 30, 2017.

	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
			(in millions of RMB)			
Assets						
Loans and advances to customers	—	25,587.5	75,717.5	10,910.8	1,706.5	113,922.3
Investment securities and other financial assets	—	11,859.3	22,268.1	26,976.1	4,118.1	65,221.6
Cash and deposits with the central bank	441.6	26,176.8	—	—	—	26,618.4
Deposits with banks	—	34,942.9	7,832.0	—	—	42,774.9
Financial assets held under resale agreement	—	15,749.2	—	—	—	15,749.2
Interests receivable	968.0	—	—	—	—	968.0
Others[1]	4,100.2	—	—	—	—	4,100.2
Total assets	**5,509.8**	**114,315.7**	**105,817.6**	**37,886.9**	**5,824.6**	**269,354.6**
Liabilities						
Deposits from customers	—	117,354.7	14,497.4	55,072.5	6.9	186,931.5
Financial assets sold under repurchase agreements	—	7,572.9	—	—	—	7,572.9
Debt securities issued	—	5,670.7	9,597.9	2,997.2	3,190.6	21,456.4
Deposits from banks and other financial institutions	—	9,772.9	18,237.0	600.0	—	28,609.9
Interests payable	3,335.9	—	—	—	—	3,335.9
Borrowing from the central bank	—	3,131.8	1,778.6	—	—	4,910.4
Placements from banks and other financial institutions	—	—	—	50.0	—	50.0
Others[2]	1,119.5	—	—	—	—	1,119.5
Total liabilities	**4,455.4**	**143,503.0**	**44,110.9**	**58,719.7**	**3,197.5**	**253,986.5**
Total repricing gaps	**1,054.4**	**(29,187.3)**	**61,706.7**	**(20,832.8)**	**2,627.1**	**15,368.1**

Notes:
(1) Primarily includes property and equipment and deferred tax assets.
(2) Primarily includes accrued staff costs and taxes payable.

Sensitivity Analysis

We use sensitivity analysis to measure the impact of changes in interest rates on our net profit or loss and equity. The table below sets forth the results of our interest rate sensitivity analysis based on our assets and liabilities as of the dates indicated.

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Changes in net profit	Changes in equity	Changes in net profit	Changes in equity	Changes in net profit	Changes in equity	Changes in net profit	Changes in equity
	(in millions of RMB)							
Increase by 100 basis points . .	(7.9)	(265.9)	(101.5)	(241.0)	(182.5)	82.6	(106.0)	508.1
Decrease by 100 basis points . .	7.9	265.9	101.5	241.0	182.5	(82.6)	106.0	(508.1)

Based on our assets and liabilities as of June 30, 2017, a 100 basis point increase or decrease in interest rates would result in an increase or a decrease in net profit of RMB106.0 million for the year subsequent to December 31, 2016.

The sensitivity analysis above is based on a static interest rate risk profile of the assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by the repricing of assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of each Track Record Period apply to our non-derivative financial instruments.
- At the end of each Track Record Period, an interest rate movement of 100 basis points is based on the assumption of interest rate movements over the next 12 months.
- There is a parallel shift in the yield curve with the changes in interest rates.
- There are no other changes to the assets and liabilities portfolio.
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by management.

Due to the adoption of the aforementioned assumptions, the actual changes in the net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

Foreign Currency Risk

Foreign currency risk mainly arises from exchange rate fluctuations. We manage foreign currency risk by matching the assets denominated in foreign currencies with the liabilities denominated in the same currency and monitoring the foreign currency risk tolerance levels on a daily basis.

The table below sets forth our assets and liabilities by currency as of June 30, 2017.

	RMB	USD	Others	Total
		(in millions of RMB)		
Assets				
Loans and advances to customers	113,922.3	—	—	113,922.3
Cash and deposits with the central bank	26,618.4	0.0	0.0	26,618.4
Deposits with banks	42,501.2	205.7	68.0	42,774.9
Financial assets held under resale agreement	15,749.2	—	—	15,749.2
Debt securities classified as receivables	47,576.4	—	—	47,576.4
Financial assets at fair value through profit or loss	541.9	—	—	541.9
Available-for-sale financial assets	10,288.5	—	—	10,288.5
Held-to-maturity investments	6,814.8	—	—	6,814.8
Interests receivable	967.4	0.6	—	968.0
Others(1)	4,100.2	—	—	4,100.2
Total assets	**269,080.3**	**206.3**	**68.0**	**269,354.6**
Liabilities				
Deposits from customers	186,931.5	—	—	186,931.5
Financial assets sold under repurchase agreements	7,572.9	—	—	7,572.9
Debt securities issued	21,456.4	—	—	21,456.4
Deposits from banks and other financial institutions	28,566.9	2.8	40.2	28,609.9
Interests payable	3,335.9	—	—	3,335.9
Borrowing from the central bank	4,910.4	—	—	4,910.4
Placements from banks and other financial institutions	50.0	—	—	50.0
Others(2)	1,119.5	—	—	1,119.5
Total liabilities	**253,943.5**	**2.8**	**40.2**	**253,986.5**
Net position	**15,136.8**	**203.5**	**27.8**	**15,368.1**
Off-balance sheet commitments	**28,356.7**	**—**	**—**	**28,356.7**

Notes:

(1) Primarily includes property and equipment and deferred tax assets.

(2) Primarily includes accrued staff costs and taxes payable.

Sensitivity Analysis

During the Track Record Period, we principally conducted our businesses in RMB and most of our monetary assets and liability were denominated in RMB. Accordingly, our Directors believe that our exposure to foreign currency risk was not significant during the Track Record Period.

CAPITAL EXPENDITURES

Capital expenditures, which primarily consist of cash payments for the purchases of property and equipment and construction expenses, were RMB269.6 million, RMB216.6 million, RMB467.5 million and RMB107.8 million for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, respectively.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial data requires us to make estimates and assumptions that affect the application of accounting policies and the amount of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. We have been using these estimates during the Track Record

Period, and we now expect that there will be no material changes in such estimates and assumptions in the foreseeable future. The table below sets forth the estimates and assumptions of material risks that may result in significant adjustments to the carrying amounts of assets and liabilities for the next fiscal year.

Impairment Losses of Loans and Advances and Debt Securities Classified as Receivables

We periodically determine whether there is any objective evidence that impairment losses have occurred on loans and advances and debt securities classified as receivables. If any such evidence exists, we assess the amount of impairment losses. The amount of impairment losses is measured as the difference between the present value and the carrying amount of estimated future cash flows. Assessing the amount of impairment losses requires significant judgment regarding whether objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

Impairment Losses of Available-for-sale Financial Assets and Held-to-maturity Investments

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale financial assets and held-to-maturity investments, we assess periodically whether there has been a significant or prolonged decline in the fair value below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial condition and business prospects, including industry environment, change of technology and operating and financing cash flows. This requires a large number of judgments of management, which would affect the amount of impairment losses.

Fair Value of Financial Instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments and discounted cash flow analysis.

Our valuation models make maximum use of market input and rely as little as possible on our specific data. However, some inputs, such as credit and counterparty risk and risk correlations, require management's estimates. We review the above estimations and assumptions periodically and make adjustments if necessary.

Classification of the Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments if we have the intention and ability to hold them until maturity. In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgments. Failure in correctly assessing our intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

Income Taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. We carefully evaluate the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences.

As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is consistently reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Impairment of Non-Financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant 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 reliable assumptions.

Depreciation and Amortization

Property and equipment and intangible assets are depreciated and amortized using the straight line method over their estimated useful lives after taking into account residual values. Estimated useful lives are regularly reviewed to determine the depreciation and amortization costs charged in the Track Record Period.

Estimated useful lives are determined based on historical data of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortization, the amount of depreciation or amortization will be revised.

Determination of Control over Investees

Management applies its judgment to determine whether control indicators indicate that we control a non-principal guaranteed wealth management product and an asset management plan. We act as manager to a number of non-principal guaranteed wealth management products and asset management plans. Determining whether we control such a structured entity usually focuses on the assessment of our aggregate economic interests of the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity.

For all these structured entities managed by us, our aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, we have concluded that we act as agent as opposed to principal for the investors in all cases, and therefore we have not consolidated these structured entities.

Segment Reporting

We identify our operating segments and the amounts of each segment item reported in the Financial Information from the financial information provided regularly to our most senior executive management for the purposes of allocating resources to, and assessing the performance of, our lines of business and geographical locations.

We do not aggregate individually material operating segments for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the regulatory environment. We may aggregate operating segments that are not individually material if they share a majority of these criteria.

Impact of Future Accounting Policy Changes

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 classifications and subsequent measurements.

For financial assets 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 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.

We expect the adoption of IFRS 9 to impact our classification of financial instruments as well as the calculation, amount and timing of our provision for impairment losses for financial assets. We have assessed the potential impact of IFRS 9 on our financial statements based on our business models, contract terms of financial instruments and credit exposure. Based on the results of our assessment, we believe IRFS 9, when adopted, will not materially impact our results of operations and financial condition in 2018, including our provision for impairment losses and retained earnings.

Implementation of IFRS 9 will also impact our risk management structure, process and key functions, as well as our budgeting and performance review and IT systems. We have revised our accounting policies, formulated new financial asset classification methods and changed our financial asset impairment model (including our impairment provisioning practices) in accordance with IFRS 9. We are also updating our internal control policies and IT systems to meet the requirements of IFRS 9.

INDEBTEDNESS

As of October 31, 2017, we had the following outstanding indebtedness:

- Interbank certificates in an aggregate principal amount of RMB15,900.0 million;
- Tier-two capital bonds in an aggregate principal amount of RMB3,200.0 million;

- Financial bonds in an aggregate principal amount of RMB4,500.0 million;
- Deposits from customers, deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements that arose from the normal course of the banking business; and
- Bank acceptances, letters of credit and guarantees, loan commitments and other commitments and contingencies that arose from the normal course of the banking business.

Except as disclosed above, we did not have, as of October 31, 2017 (namely our latest balance sheet date), any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, purchase and finance lease commitments or any guarantees or other material contingent liabilities.

Our Directors have confirmed that except as disclosed in the prospectus, there has not been any material change in our indebtedness or contingent liabilities since October 31, 2017.

RULES 13.13 TO 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

The Board of Directors is responsible for submitting proposals for dividend payments to the shareholders' general meeting for approval. The determination of whether to pay a dividend and in which amount is based on our results of operations, cash flow, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions and other factors that the Board of Directors deems relevant.

Under the PRC Company Law and our Articles of Association, all of the shareholders holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholding. Under PRC law, we may only pay dividends out of profit after tax. Profit after tax for a given year represents net profit as determined under PRC GAAP or IFRS or the accounting standards of the overseas jurisdiction where the shares are listed, whichever is lower, less:

- any of its accumulated losses in prior years;
- appropriations we are required to make to the statutory reserve, which is currently 10% of our net profit as determined under PRC GAAP, until such reserve reaches an amount equal to 50% of our registered capital;
- a general reserve we are required to set aside; and
- appropriations to a discretionary surplus reserve as approved by the shareholders at a general meeting.

According to the relevant MOF regulations, before a financial institution makes any profit distribution, the balance of our statutory general reserve shall in principle not be lower than 1.5% of the balance of risk assets at the end of the period. As of June 30, 2017, we set aside RMB3,226.1 million as general reserves, in line with relevant regulations.

Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. We generally do not distribute dividends in a year in which we do not have any distributable profit. The payment of any dividend by us must also be approved at a shareholders' general meeting.

We are not allowed to distribute profits to the shareholders until we have made up our losses and made appropriations to our statutory surplus reserve and general reserves. The shareholders are required to return any profit distributed in violation of the relevant rules and regulations.

The CBRC has discretionary authority to prohibit any bank that fails to meet the relevant capital adequacy ratio requirements, or has violated any other PRC banking regulations, from paying dividends or making other forms of distributions. As of June 30, 2017, we had a capital adequacy ratio of 11.49%, a tier-one capital adequacy ratio of 8.55% and a core tier-one capital adequacy ratio of 8.55%, all of which comply with the relevant CBRC requirements.

We distributed cash dividends of nil, RMB602.1 million and nil for 2014, 2015 and 2016, respectively. Both our Domestic Shareholders and H Shareholders are entitled to our accumulated retained earnings prior to the Global Offering.

LISTING EXPENSES

The estimated total listing expenses in relation to the Global Offering are approximately RMB214.3 million, consisting of approximately RMB196.8 million that is directly attributable to the issue of new H Shares to the public and accounted for as a deduction from equity, approximately RMB0.9 million that was deducted from our comprehensive income statement for the six months ended June 30, 2017, and RMB16.6 million to be deducted from our comprehensive income statement after June 30, 2017. Our Directors do not expect these expenses to materially impact our results of operations for the year ending December 31, 2017.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets, prepared in accordance with Rule 4.29 of the Listing Rules, is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as of June 30, 2017, as if the Global Offering had taken place on June 30, 2017.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our financial position had the Global Offering been completed as of June 30, 2017 or at any future date:

	Consolidated net tangible assets of the Group attributable to the owners of the Bank as of June 30, 2017(1)	Estimated net proceeds from the Global Offering(2)(5)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Bank as of June 30, 2017(3)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Bank per share as of June 30, 2017(4)(5)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on the Offer Price of HK$2.61 per Offer Share	15,335,622	4,650,549	19,986,171	2.05	2.44
Based on the Offer Price of HK$2.77 per Offer Share	15,335,622	4,939,415	20,275,037	2.08	2.47

Notes:

(1) The consolidated net tangible assets attributable to owners of the Bank as of June 30, 2017 are based on the consolidated net assets attributable to owners of the Bank of approximately RMB15,335,836,000 less intangible assets of approximately RMB214,000 as of June 30, 2017.

(2) The estimated net proceeds from the Global Offering for the purpose of unaudited pro forma adjusted consolidated net tangible assets are based on the Offer Price of HK$2.61 (being the low-end of the proposed Offer Price range) and HK$2.77 per H Share (being the high-end of the proposed Offer Price range) and the assumption that there are 2,212,000,000 newly issued H Shares in the Global Offering, after deduction of the underwriting fees and other related expenses payable by us and the listing expenses expected to be capitalized upon the listing and taking no account of any H Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets do not take into account the financial results or other transactions of the Bank subsequent to June 30, 2017.

(4) The unaudited pro forma adjusted consolidated net tangible assets per share are arrived on the basis of 9,737,991,330 shares in issue assuming that the Global Offering has been completed on June 30, 2017 and that the Over-allotment Option is not exercised.

(5) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted net tangible assets per share are translated into Renminbi at the rate of RMB0.8415 to HK$1.00, the exchange rate set by the PBoC prevailing on December 22, 2017. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi at that rate or at any other rate.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position since June 30, 2017 and up to the date of this prospectus.

WORKING CAPITAL

Rule 8.21A(1) and Paragraph 36 of part A of Appendix 1A of the Listing Rules require this prospectus to include a statement by our Directors that, in their opinion, available working capital 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 us. We are regulated in the PRC by, among others, PBoC and CBRC. These regulatory authorities impose minimum capital adequacy ratio 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 ratio 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 by our Directors in this prospectus.

FUTURE PLANS

Details of the Group's future plans are set out in "Business—Our Development Strategies".

USE OF PROCEEDS

Assuming an Offer Price of HK$2.61, 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$5,523.9 million, if the Over-allotment Option is not exercised, or approximately HK$6,363.9 million, if the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$2.69, 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$5,695.6 million, if the Over-allotment Option is not exercised, or approximately HK$6,561.3 million, if the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$2.77, 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$5,867.2 million, if the Over-allotment Option is not exercised, or approximately HK$6,758.7 million, if the Over-allotment Option is exercised in full.

We intend to use the net proceeds from the Global Offering (after deduction of underwriting commissions and estimated expenses 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 (the "**Cornerstone Investment Agreements**", each, a "**Cornerstone Investment Agreement**") with certain investors (the "**Cornerstone Investors**", each, a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe for at the Offer Price certain H Shares of the Bank (the "**Cornerstone Placing**").

The information about the number of the Offer Shares to be subscribed for by all the Cornerstone Investors based on (a) the total subscription price payable by all the Cornerstone Investors and subject to the rounding down to the nearest whole board lot of 1,000 H Shares, and (b) the assumption of the following Offer Price, is set out below:

Offer Price (HK$)	Total subscription amount(1)	Number of H Shares to be subscribed	Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)	Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)	Approximately percentage of the International Offer Shares initially offered under the International Offering (assuming that the Over-allotment Option is not exercised)	Approximately percentage of the International Offer Shares initially offered under the International Offering (assuming that the Over-allotment Option is fully exercised)
2.61 (being the low-end of the indicative Offer Price range stated in this prospectus)	US$400.00 million (approximately HK$3,125.48 million)	1,197,500,000	12.30%	11.89%	54.14%	47.08%	60.15%	51.56%
2.69 (being the mid-point of the indicative Offer Price range stated in this prospectus)	US$400.00 million (approximately HK$3,125.48 million)	1,161,888,000	11.93%	11.54%	52.53%	45.68%	58.36%	50.03%
2.77 (being the high-end of the indicative Offer Price range stated in this prospectus)	US$400.00 million (approximately HK$3,125.48 million)	1,128,331,000	11.59%	11.21%	51.01%	44.36%	56.68%	48.58%

Note:

(1) Calculated based on an exchange rate of US$1.00: HK$7.8137 as described in "Information about this Prospectus and the Global Offering—Currency Translations" in this prospectus. The actual investment amount of each Cornerstone Investor in HK dollars may change due to the actual exchange rate to be used as prescribed in the relevant Cornerstone Investment Agreement.

The Cornerstone Placing will form part of the International Offering and none of such Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and 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 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 may be adjusted by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering—The Hong Kong Public Offering".

The Cornerstone Investors do not have any preferential rights compared with other public shareholders in their respective Cornerstone Investment Agreements other than guaranteed allocation at the Offer Price.

To the best knowledge of the Bank, each of the Cornerstone Investors is an independent third party and independent of other Cornerstone Investors, independent of the Bank, its connected persons and their respective associates, and not an existing shareholder or close associates of the Bank.

The Offer Shares to be delivered to the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering or any exercise of the Over-allotment Option, as further described in "Structure of the Global Offering".

Details of the allocations to the Cornerstone Investors will be disclosed in the allotment results announcement to be published on or around January 17, 2018.

CORNERSTONE INVESTORS

The Bank has entered into the Cornerstone Investment Agreements with the following Cornerstone Investors in respect of the Cornerstone Placing:

Assuming that the final Offer Price is fixed at HK$2.61 per H Share (being the low-end of the indicative Offer Price range stated in this prospectus) and based on the actual total subscription price as stated in the relevant Cornerstone Investment Agreement and subject to the rounding down to the nearest whole board lot of 1,000 H Shares, the information about the relevant Offer Shares to be subscribed by each Cornerstone Investor is set out below:

	Based on the Offer Price of HK$2.61 (being the low-end of the indicative Offer Price range)					
Cornerstone Investor	**Investment Amount(1)**	**Number of H Shares to be subscribed**	**Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)**	**Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)**	**Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)**	**Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)**
Hong Kong Dasheng Investment Holdings Company Limited	US$150.00 million (approximately HK$1,172.06 million)	449,063,000	4.61%	4.46%	20.30%	17.65%
Huaxun International Group Limited	US$100.00 million (approximately HK$781.37 million)	299,375,000	3.07%	2.97%	13.53%	11.77%
China Create Capital Limited	US$100.00 million (approximately HK$781.37 million)	299,375,000	3.07%	2.97%	13.53%	11.77%
Huarong Rongde (Hong Kong) Investment Management Company Limited	US$50.00 million (approximately HK$390.69 million)	149,687,000	1.54%	1.49%	6.77%	5.88%

Note:

(1) Calculated based on an exchange rate of US$1.00: HK$7.8137 as described in "Information about this Prospectus and the Global Offering—Currency Translations" in this prospectus. The actual investment amount of each Cornerstone Investor in HK dollars may change due to the actual exchange rate to be used as prescribed in the relevant Cornerstone Investment Agreement.

Assuming that the final Offer Price is fixed at HK$2.77 per H Share (being the high-end of the indicative Offer Price range stated in this prospectus) and based on the actual total subscription price as stated in the relevant Cornerstone Investment Agreement and subject to the rounding down to the nearest whole board lot of 1,000 H Shares, the information about the relevant Offer Shares to be subscribed by each Cornerstone Investor is set out below:

	Based on the Offer Price of HK$2.77 (being the high-end of the indicative Offer Price range)					
Cornerstone Investor	**Investment Amount[1]**	**Number of H Shares to be subscribed**	**Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)**	**Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)**	**Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)**	**Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)**
Hong Kong Dasheng Investment Holdings Company Limited .	US$150.00 million (approximately HK$1,172.06 million)	423,124,000	4.35%	4.20%	19.13%	16.63%
Huaxun International Group Limited .	US$100.00 million (approximately HK$781.37 million)	282,083,000	2.90%	2.80%	12.75%	11.09%
China Create Capital Limited .	US$100.00 million (approximately HK$781.37 million)	282,083,000	2.90%	2.80%	12.75%	11.09%
Huarong Rongde (Hong Kong) Investment Management Company Limited .	US$50.00 million (approximately HK$390.69 million)	141,041,000	1.45%	1.40%	6.38%	5.54%

Note:

(1) Calculated based on an exchange rate of US$1.00: HK$7.8137 as described in "Information about this Prospectus and the Global Offering—Currency Translations" in this prospectus. The actual investment amount of each Cornerstone Investor in HK dollars may change due to the actual exchange rate to be used as prescribed in the relevant Cornerstone Investment Agreement.

Assuming that the final Offer Price is fixed at HK$2.69 per H Share (being the mid-point of the indicative Offer Price range stated in this prospectus) and based on the actual total subscription price as stated in the relevant Cornerstone Investment Agreement and subject to the rounding down to the nearest whole board lot of 1,000 H Shares, the information about the relevant Offer Shares to be subscribed by each Cornerstone Investor is set out below:

	Based on the Offer Price of HK$2.69 (being the mid-point of the indicative Offer Price range)					
Cornerstone Investor	**Investment Amount[(1)]**	**Number of H Shares to be subscribed**	**Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)**	**Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)**	**Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)**	**Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)**
Hong Kong Dasheng Investment Holdings Company Limited .	US$150.00 million (approximately HK$1,172.06 million)	435,708,000	4.47%	4.33%	19.70%	17.13%
Huaxun International Group Limited .	US$100.00 million (approximately HK$781.37 million)	290,472,000	2.98%	2.88%	13.13%	11.42%
China Create Capital Limited .	US$100.00 million (approximately HK$781.37 million)	290,472,000	2.98%	2.88%	13.13%	11.42%
Huarong Rongde (Hong Kong) Investment Management Company Limited .	US$50.00 million (approximately HK$390.69 million)	145,236,000	1.49%	1.44%	6.57%	5.71%

Note:

(1) Calculated based on an exchange rate of US$1.00: HK$7.8137 as described in "Information about this Prospectus and the Global Offering—Currency Translations" in this prospectus. The actual investment amount of each Cornerstone Investor in HK dollars may change due to the actual exchange rate to be used as prescribed in the relevant Cornerstone Investment Agreement.

Set forth below is a brief introduction of the Cornerstone Investors.

Hong Kong Dasheng Investment Holdings Company Limited

Hong Kong Dasheng Investment Holdings Company Limited ("**Hong Kong Dasheng**"), a company incorporated in Hong Kong with limited liability, is principally engaged in investment holding and trading. Hong Kong Dasheng is a wholly-owned subsidiary of Shenzhen Dasheng Agricultural Group Co., Ltd. ("**Shenzhen Dasheng**"), a company incorporated in the PRC with limited liability. Shenzhen Dasheng is principally engaged in asset management, capital operation, industrial investment and manufacturer and distribution. It is owned as to 70% by Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd. ("**Qianhai Dasheng**") and 30% by Dasheng Holdings Limited ("**Dasheng Holdings**"). Each of Qianhai Dasheng and Dasheng Holdings is owned as to 70% by Mr. Lan Huasheng (蘭華升) and 30% by Mr. Lu Tingfu (盧挺富).

Huaxun International Group Limited

Huaxun International Group Limited ("**Huaxun International**") is a company incorporated in Hong Kong with limited liability and is principally engaged in trading business. Huaxun International is wholly owned by Huaxun Fangzhou Technology Co., Ltd. (華訊方舟科技有限公司) ("**Huaxun Fangzhou Technology**"), a company incorporated in the PRC with limited liability and principally engaged in the businesses of design, construction and repair of security technology system, installation of security protection equipment, research and development, lease and sale of satellite broadband communication systems and security screening equipment. Huaxun Fangzhou Technology is the largest shareholder of Huaxun Fangzhou Co., Ltd. (華訊方舟股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000687) and principally engaged in the research, development and manufacture of military communications and auxiliary business.

China Create Capital Limited

China Create Capital Limited ("**China Create Capital**") is a company incorporated in the British Virgin Islands and is wholly owned by Mr. Zhang Wei (張偉). The principal business of China Create Capital is investment holding.

China Create Capital may obtain external financing by entering into a loan facility with Haitong International Securities Company Limited (the "**Haitong Lender**") to finance its subscription of the Offer Shares. Haitong Lender is a subsidiary of Haitong International Securities Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 665). The loan, if obtained, will be on normal commercial terms after arm's length negotiations with no other direct or indirect benefits given by the Haitong Lender. All or some of the Offer Shares to be subscribed for by China Create Capital may be charged to the Haitong Lender as security for the loan facility. Under the financing arrangement, upon the occurrence of certain customary events of default, China Create Capital will be required to repay the loan before its maturity. The Haitong 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. China Create Capital agrees and undertakes to the Bank to procure the Haitong Lender, and Haitong Lender also agrees and undertakes to the Bank, not to dispose of the collateral shares under the financing arrangement (as the case may be) at any time during the period of six months following the Listing Date.

Huarong Rongde (Hong Kong) Investment Management Company Limited

Huarong Rongde (Hong Kong) Investment Management Company Limited ("**Rongde HK**") is a company incorporated in Hong Kong with limited liability and is principally engaged in investment. Rongde HK is a wholly-owned subsidiary of Huarong Rongde Asset Management Company Limited ("**Huarong Rongde**"). As of the Latest Practicable Date, China Huarong Asset Management Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 2799) and Cathay Capital Company (No.2) Limited held 59.3% and 40.7% of the registered share capital of Huarong Rongde, respectively.

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 or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, or as subsequently waived or varied by agreement of the parties thereto, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(b) the Offer Price having been agreed between the Bank and the Joint Representatives (for themselves and on behalf of the underwriters of 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 (including the H Shares to be subscribed for by the Cornerstone Investors in accordance with the relevant Cornerstone Investment Agreements as well as other applicable waivers and approvals) and such approval or permission having not been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;

(d) no laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees or rulings of any governmental, regulatory or administrative commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, judicial body, tribunal or arbitrator (in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational) having been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements and there being no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting the consummation of such transactions; and

(e) the respective representations, warranties, undertakings, confirmations and acknowledgements of the Cornerstone Investor in the relevant Cornerstone Investment Agreement being accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the Cornerstone Investors has agreed that, without the prior written consent of the Bank, the Joint Representatives (in case of China Create Capital Limited, the Joint Global Coordinators) and the Joint Sponsors, it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date, directly or indirectly, (a) dispose of (as defined in the relevant Cornerstone Investment Agreement), in any way, any of the relevant Offer Shares or any interest in any company or entity holding any of the relevant Offer Shares, other than in certain limited circumstances such as transfers to any wholly-owned subsidiary 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, (b) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the SFC) at the level of its ultimate beneficial owner, or (c) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

HONG KONG UNDERWRITERS

CMB International Capital Limited
CCB International Capital Limited
Huatai Financial Holdings (Hong Kong) Limited
Guotai Junan Securities (Hong Kong) Limited
BOCI Asia Limited
Haitong International Securities Company Limited
ABCI Securities Company Limited
ICBC International Securities Limited
China Silk Road International Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering initially 221,200,000 Hong Kong Offer Shares (subject to re-allotment) for subscription by way of the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be offered pursuant to the Global Offering (including any additional H Shares which may be issued or sold pursuant to the exercise of the Over-allotment Option) as mentioned in this prospectus, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscriptions for the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors shall be entitled by notice (orally or in writing) to our Bank to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

(1) there shall develop, occur, exist or come into force:

(i) any new law or regulation or any change or development involving a prospective change or any event or circumstance likely to result in a change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Singapore, the United States, the United Kingdom, the European Union (or any member thereof) or Japan or any other jurisdiction relevant to our Bank or the Global Offering (each a "**Relevant Jurisdiction**"); or

(ii) 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 credit or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets 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 or a change of the Hong Kong dollars or a change of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or

(iii) any local, national, regional or international event or series of events in the nature of force majeure (including, without limitation, acts of government, labor 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, economic sanction, in whatever form) in or directly or indirectly affecting any Relevant Jurisdiction; or

(iv) 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

(v) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdiction; or

(vi) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in shares or securities generally on the Hong Kong Stock Exchange, the 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

(vii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the HKMA or other competent administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational ("**Governmental Authority**")), New York (imposed at Federal or New York State level or other competent Governmental Authority), London, Singapore, the PRC, the European Union (or any member thereof), Japan or any other Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(viii) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations, or (B) any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or

(ix) the issue or requirement to issue by our Bank of a supplemental or amendment to this prospectus, Application Forms, or to any other documents in connection with the offer and sale of the H Shares pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/ or the SFC; or

(x) any change or development involving a prospective change which has the effect of the materialization of any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xi) any litigation or claim being threatened or instigated against any member of the Group ("**Group Company**"), any Director or any Supervisor; or

(xii) any contravention by any Group Company or any Director or Supervisor of the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance, the PRC Company Law or the Listing Rules or applicable laws; or

(xiii) an Governmental Authority in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Group Company, any Director or any Supervisor; or

(xiv) 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 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 Director or Supervisor in his or her capacity as such or an announcement by any governmental, political, regulatory body that it intends to take any such action; or

(xv) any demand by creditors for repayment of indebtedness or a petition being presented for the winding-up or liquidation of any Group Company or any Group Company 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 any Group Company or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or

(xvi) a prohibition on our Bank for whatever reason from allotting or selling the H Shares (including the H Shares issued and sold pursuant to the exercise of Over-allotment Option) pursuant to the terms of the Global Offering,

and which, in any of 1(i) to (xvi) above, 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:

(a) is or will be or may be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, position or condition (financial or otherwise), or prospects of our Bank or the Group as a whole; or

(b) has or will have or may have a material adverse effect on the success of the Global Offering or the level of the 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

(c) makes or will make or may 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 or to any other documents in connection with the offer and sale of the H Shares; or

(d) 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 the terms thereof or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) there has come to the notice of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(a) 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 issued or used by or on behalf of our Bank in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect in any material respect 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 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

(b) 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; or

(c) 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

(d) either (i) there has been a material breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by our Bank or (ii) any of the representations, warranties and undertakings given by our Bank in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete in any material respect or misleading; or

(e) Shinewing HK (CPA) Limited, or any of the counsel or advisor of our Bank or other experts listed in the section headed "Statutory and General Information—4. Other

Information—E. Qualifications of 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

(f) any event, act or omission which gives or is likely to give rise to any liability of our Bank pursuant to the indemnities given by our Bank under the Hong Kong Underwriting Agreement; or

(g) any material breach of any of the obligations of our Bank under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(h) the investment commitments by any corporate or cornerstone investors after signing of agreements with such corporate or cornerstone investors, have been withdrawn, terminated or cancelled or if any corporate or cornerstone investors is unlikely to fulfill its obligation under the respective agreement; or

(i) any material adverse change or prospective material adverse change or development involving a prospective material adverse change in the assets, business, general affairs, management, shareholder's equity, profits, losses, properties, results of operations, in the position or condition (financial or otherwise) or prospects of our Bank and its subsidiary, as a whole; or

(j) admission into CCASS is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, such admission into CCASS is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(k) our Bank has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules

Undertakings by Our Bank

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except pursuant to the Global Offering or any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by Our Bank

We have, pursuant to the Hong Kong Underwriting Agreement, undertaken to each of the Joint Representatives, Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong

Kong Underwriters and the Joint Sponsors that, except pursuant to the Global Offering (including 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, it 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, assign, 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 a mortgage, charge, pledge, lien of tax or otherwise, option, restriction, right of first refusal, right of pre-emption, claim, defect, right, interest or preference granted to any third party, or any other encumbrance or security interest of any kind ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any 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 equity securities of our Bank, as applicable), or deposit any share capital or other 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 equity securities of our Bank, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Bank); or

(iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) 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 specified in sub-paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities of our Bank, in cash or otherwise or publicly disclose that our Bank will or may enter into any transaction described above. In the event of an issue or disposal of any H Shares or any interest therein after any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date expires, our Bank 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.

Indemnity

We have agreed to indemnify the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in Our Bank

Except for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interest in our Bank or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Bank.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters and the Joint Representatives. Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriters will severally agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective portions of the International Offer Shares which are not taken up under the International Offering.

Over-allotment Option

Our Bank expects to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Representatives on behalf of the International Underwriters, until 30 days after the last day for the lodging of Application Forms under the Hong Kong Public Offering, to require our Bank to issue and allot up to an aggregate of 331,800,000 H Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations, if any, in the International Offering.

Commissions and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 1.0% of the aggregate Offer Price of all the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. In addition, we agree to pay to the Joint Representatives (on behalf of the Hong Kong Underwriters) an incentive fee.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the Joint Representatives and the relevant International Underwriters.

The aggregate commissions and fees, together with the Hong Kong Stock Exchange listing fees, SFC transaction levy and the Hong Kong Stock Exchange trading fee, legal and other professional fees, printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK$254.70 million (assuming an Offer Price of HK$2.69 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus) and the Over-allotment Option is not exercised at all), are payable and borne by our Bank.

INDEPENDENCE OF THE JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers of the H Shares in a principal capacity, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have H Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and short positions in the H Shares, securities or baskets including indices, units of funds that may purchase the H Shares, or derivatives related to any of the foregoing.

In relation to the issuance by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases. All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the shares, the liquidity or trading volume in the shares and the volatility of the price of the shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(i) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels higher than those which might otherwise prevail in the open market or other markets; and

(ii) all of them must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to adjustment and the Over-allotment Option):

(a) the Hong Kong Public Offering of 221,200,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described in the section headed "—The Hong Kong Public Offering" below; and

(b) the International Offering of 1,990,800,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

The Offer Shares will represent approximately 22.72% of the enlarged issued share capital of our Bank immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 25.26% of the enlarged issued share capital of our Bank immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the section headed "—The International Offering—Over-allotment Option" below.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the sub-section headed "—The Hong Kong Public Offering—Reallocation and Clawback" below.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 221,200,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of the Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.27% of the enlarged issued share capital of our Bank immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in the paragraph headed "—Conditions of the Global Offering" below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking into account any adjustment in the number of the Offer Shares allocated between the Hong Kong Public Offering and the International Offering) is to be equally divided into two pools for allocation purposes (subject to adjustment at odd lot size): Pool A and Pool B. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million or less (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable). The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate price of more than HK$5 million and up to the total value of Pool B (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 110,600,000 Hong Kong Offer Shares (being 50% of the 221,200,000 Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of the Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of the Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 221,200,000 Offer Shares, representing 10% 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 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of the 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 663,600,000 Offer Shares, representing 30% 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 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of the 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 884,800,000 Offer Shares, representing 40% 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 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of the 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 1,106,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Representatives. If the Hong Kong Offer Shares are not fully subscribed, the Joint Representatives (for themselves and on behalf of the other Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such amount as the Joint Representatives (for themselves and on behalf of the other Underwriters) deems appropriate. Without prejudice to above paragraphs, the Joint Representatives (for themselves and on behalf of the Underwriters) may at their sole discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Global Offering, regardless of whether any reallocation is triggered.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$2.77 per Offer Share in addition to the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "—The International Offering—Pricing and Allocation" below, is less than the maximum price of HK$2.77 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Hong Kong Stock

Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for the Hong Kong Offer Shares".

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

The International Offering will consist of an initial offering of 1,990,800,000 International Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of the Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "—The International Offering—Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares, and/or hold or sell its H Shares, after the listing of the H Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Bank and its Shareholders as a whole.

The Joint Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered the Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of the Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of the Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the subsection headed "—The Hong Kong Public Offering—Reallocation and Clawback" or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, our Bank is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Representatives in whole or in part at their sole and absolute discretion for themselves and on behalf of the International Underwriters within 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Joint Representatives will have the right to require our Bank to allot and issue up to an aggregate of 331,800,000 Offer Shares representing in aggregate 15% of the initial number of the Offer Shares at the Offer Price to cover over-allocations in the International Offering, if any. An announcement will be made in the event that the Over-allotment Option is exercised. The Joint Representatives may also cover any over-allocations by purchasing the H Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may effect transactions with a view to stabilizing or supporting the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any market purchases of the H Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. Should stabilizing transactions be effected in connection with the Global Offering, this will be effected at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it.

Stabilization action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong. Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (ii) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares, (v) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the H Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of the H Shares;

- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on the 30th day after the date of closing of the application lists under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;
- the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

The Bank will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of the H Shares in connection with the Global Offering, the Joint Representatives, their affiliates or any person acting for them may cover such over-allocation by, among other methods, using H Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of the H Shares which can be over-allocated will not exceed the number of the H Shares which may be issued or sold pursuant to the exercise in full of the Over-allotment Option, being 331,800,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of the Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and us on the Price Determination Date, which is expected to be on or about Thursday, January 11, 2018 and in any event no later than Monday, January 15, 2018.

The Offer Price will not be more than HK$2.77 per Offer Share and is expected to be not less than HK$2.61 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and us by Monday, January 15, 2018, the Global Offering will not proceed and will lapse.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Representatives and the Joint Sponsors consider it appropriate, the number of the Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Thursday, January 11, 2018, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese), on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**, and on our Bank's website at **http://www.gsbankchina.com**, notice of the reduction in the number of the Offer Shares being offered under the Global Offering and/or the indicative Offer Price range and will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the offering statistics, and the future plans and use of proceeds as currently set out in "Summary" and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of the Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If the number of the Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced, applicants who have already submitted an application may or may not (depending on the information contained in the announcement) be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being published of a reduction in the number of the Offer Shares being offered under the Global Offering stated in this prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, once agreed upon, will under no circumstances be higher than the maximum Offer Price as stated in the Application Forms.

In the event of a reduction in the number of the Offer Shares, the Joint Representatives and the Joint Sponsors may, at their discretion, reallocate the number of the Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of the Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong

Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Representatives and the Joint Sponsors. Allocation of the International Offer Shares under the International Offering will be determined by the Joint Representatives and will be based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector, and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional, or corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Bank and our Shareholders as a whole. Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of the Hong Kong Offer Shares validly applied for by applicants. The allocation of the Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of and results of allocations of the Offer Shares under the Hong Kong Public Offering are expected to be announced on Wednesday, January 17, 2018 in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) and on the website of our Bank (**http://www.gsbankchina.com**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to agreement on the Offer Price between the Joint Representatives (for themselves and on behalf of the Underwriters) and us on the Price Determination Date.

We expect that our Bank will, on or about Thursday, January 11, 2018, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting".

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, inter alia:

(a) the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Offer Shares to be offered pursuant to the Global Offering (including any Offer Shares which may be issued or sold pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on the Hong Kong Stock Exchange;

(b) our Bank having submitted to the HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Hong Kong Stock Exchange;

(c) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(d) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (unless and to the extent such conditions are validly waived on or before such dates and times) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event, not later than the date which is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares". In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on or before Wednesday, January 17, 2018 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Offer Shares, which is expected to be on Thursday, January 18, 2018, provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade the Offer Shares prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, January 18, 2018, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Thursday, January 18, 2018. The H Shares will be traded in board lots of 1,000 H Shares. The stock code of the H Shares is 2139.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Bank, the Joint Representatives, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Representatives may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** for service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of any Shares in our Bank and/or any of our subsidiaries;
- a Director or chief executive officer of our Bank and/or any of our subsidiaries;

- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Bank or will become a connected person of our Bank immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk.**

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Saturday, December 30, 2017 until 12:00 noon on Thursday, January 11, 2018 from:

(i) ***any of the following offices of the Joint Bookrunners***:

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

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

Huatai Financial Holdings (Hong Kong) Limited
Unit 5801-05 & 08-12, 58/F
The Center
99 Queen's Road Central
Hong Kong

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

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central, Hong Kong

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

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

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

China Silk Road International Capital Limited
2901, 29/F
Two International Finance Center
8 Finance Street
Central
Hong Kong

(ii) ***any of the designated branches of the following receiving banks***:

(a) Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island		
	Bank of China Tower Branch	3/F, 1 Garden Road Central Hong Kong
	Sheung Wan Branch	Shop 1-4, G/F Tung Hip Commercial Building 244-248 Des Voeux Road Central Central Hong Kong
Kowloon		
	Mei Foo Mount Sterling Mall Branch	Shop N47-49 Mount Sterling Mall Mei Foo Sun Chuen Kowloon Hong Kong
	To Kwa Wan Branch	80N To Kwa Wan Road To Kwa Wan Kowloon Hong Kong

District	Branch Name	Address
	Hoi Yuen Road Branch	55 Hoi Yuen Road Kwun Tong Kowloon Hong Kong
New Territories		
	Kwai Chung Plaza Branch	A18-20, G/F Kwai Chung Plaza 7-11 Kwai Foo Road Kwai Chung New Territories Hong Kong
	City One Sha Tin Branch	Shop Nos.24-25 G/F, Fortune City One Plus No.2 Ngan Shing Street ShaTin New Territories Hong Kong
	Fo Tan Branch	No 2,1/F Shatin Galleria 18-24 Shan Mei Street Fo Tan New Territories Hong Kong

(b) Wing Lung Bank Limited

District	Branch Name	Address
Hong Kong Island		
	Head Office	45 Des Voeux Road Central Central Hong Kong
	North Point Branch	361 King's Road North Point Hong Kong
Kowloon		
	Mongkok Branch	B/F Wing Lung Bank Centre 636 Nathan Road Mongkok Kowloon Hong Kong
	Tsim Sha Tsui Branch	4 Carnarvon Road Tsim Sha Tsui Kowloon Hong Kong
New Territories		
	Sheung Shui Branch	128 San Fung Avenue Sheung Shui New Territories Hong Kong

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Saturday, December 30, 2017 until 12:00 noon on Thursday, January 11, 2018 from the Depository Counter of HKSCC at 1/F, One and Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED—BANK OF GANSU PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Saturday, December 30, 2017—9:00 a.m. to 1:00 p.m.

Tuesday, January 2, 2018—9:00 a.m. to 5:00 p.m.

Wednesday, January 3, 2018—9:00 a.m. to 5:00 p.m.

Thursday, January 4, 2018—9:00 a.m. to 5:00 p.m.

Friday, January 5, 2018—9:00 a.m. to 5:00 p.m.

Saturday, January 6, 2018—9:00 a.m. to 1:00 p.m.

Monday, January 8, 2018—9:00 a.m. to 5:00 p.m.

Tuesday, January 9, 2018—9:00 a.m. to 5:00 p.m.

Wednesday, January 10, 2018—9:00 a.m. to 5:00 p.m.

Thursday, January 11, 2018—9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, January 11, 2018, the last application day or such later time as described in "—10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO,** among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Bank and/or the Joint Representatives (or their agents or nominees), as agents of our Bank, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Bank, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

(viii) agree to disclose to our Bank, our H Share Registrar, receiving banks, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Bank, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Bank to place your name(s) or the name of the HKSCC Nominees, on our Bank's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Bank and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "Personal Collection" section in this prospectus to collect the share certificate(s) and/or refund cheque(s);

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Bank and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "—2. Who Can Apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Bank. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Saturday, December 30, 2017 until 11:30 a.m. on Thursday, January 11, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, January 11, 2018 or such later time under "—10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Bank and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "BANK OF GANSU CO., LTD." **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" project initiated by Friends of Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Bank, the Joint Representatives and the H Share Registrar.

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Bank, the Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Bank to place HKSCC Nominees' name on our Bank's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Bank, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Bank, our H Share Registrar, receiving banks, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Bank agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Bank's announcement of the Hong Kong Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the

CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Bank, for itself and for the benefit of each Shareholder (and so that our Bank will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- agree with our Bank, for itself and for the benefit of each Shareholder and each Director, Supervisor, manager and other senior officer of our Bank (and so that our Bank will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each of the Shareholders and each Director, Supervisor, manager and other senior officer of our Bank, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Bank to arbitration in accordance with the Articles of Association;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agree with our Bank (on our behalf and for the benefit of each of our Shareholders) that H Shares in our Bank are freely transferable by their holders;
- authorize our Bank to enter into a contract on our behalf with each Director and officer of our Bank whereby each such Director and officer undertakes to observe and comply with his obligations to the Shareholders stipulated in the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Bank or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially

unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum number of 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:

Saturday, December 30, 2017—9:00 a.m. to 1:00 p.m.(1)

Tuesday, January 2, 2018—8:00 a.m. to 8:30 p.m.(1)

Wednesday, January 3, 2018—8:00 a.m. to 8:30 p.m.(1)

Thursday, January 4, 2018—8:00 a.m. to 8:30 p.m.(1)

Friday, January 5, 2018—8:00 a.m. to 8:30 p.m.(1)

Saturday, January 6, 2018—8:00 a.m. to 1:00 p.m.(1)

Monday, January 8, 2018—8:00 a.m. to 8:30 p.m.(1)

Tuesday, January 9, 2018—8:00 a.m. to 8:30 p.m.(1)

Wednesday, January 10, 2018—8:00 a.m. to 8:30 p.m.(1)

Thursday, January 11, 2018—8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Saturday, December 30, 2017 until 12:00 noon on Thursday, January 11, 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, January 11, 2018, the last application day or such later time as described in "—10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Bank and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Bank, the H Share Registrar, the receiving banks, the Joint Representatives, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Bank, the Directors, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, January 11, 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 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, please refer to the section headed "Structure of the Global Offering—The International Offering—Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, January 11, 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, January 11, 2018 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

We expect to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, January 17, 2018 in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) and on our Bank's website at **http://www.gsbankchina.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Bank's website at **http://www.gsbankchina.com** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, January 17, 2018;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, January 17, 2018 to 12:00 midnight on Tuesday, January 23, 2018;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, January 17, 2018 to Saturday, January 20, 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, January 17, 2018 to Friday, January 19, 2018 at all the receiving banks designated branches.

If we accept your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with us.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Bank or our agents exercise our discretion to reject your application:

Our Bank, the Joint 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 our Bank of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO Service** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Bank or the Joint Representatives believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50.00% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$2.77 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering—Conditions of the Global Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, January 17, 2018.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by a **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, January 17, 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, January 18, 2018 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) **If you apply using a WHITE Application Form**

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, January 17, 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, January 17, 2018, by ordinary post and at your own risk.

(ii) **If you apply using a YELLOW Application Form**

If you apply for 1,000,000 or more Hong Kong Offer Shares, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, January 17, 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, January 17, 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- ***If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)***

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- ***If you are applying as a CCASS Investor Participant***

Our Bank will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "—11. Publication of Results" above. You should check the announcement published by our Bank and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, January 17, 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, January 17, 2018, or such other date as notified by our Bank in the newspapers as the date of dispatch/ collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, January 17, 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(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 Wednesday, January 17, 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "—11. Publication of Results" above on Wednesday, January 17, 2018. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, January 17, 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, January 17, 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, January 17, 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Bank, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BANK OF GANSU CO., LTD., CMB INTERNATIONAL CAPITAL LIMITED, CCB INTERNATIONAL CAPITAL LIMITED, HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED, GUOTAI JUNAN CAPITAL LIMITED AND BOCI ASIA LIMITED

Introduction

We report on the historical financial information of Bank of Gansu Co., Ltd (the "Bank") and its subsidiary (collectively referred to as the "Group") set out on pages I-4 to I-166, which comprises the statements of financial position of the Bank as of December 31, 2014, 2015 and 2016 and June 30, 2017, the consolidated statement of financial position of the Group as of December 31, 2014, 2015 and 2016 and June 30, 2017 and the consolidated statements of profit of loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the three years ended December 31, 2016 and the six months ended June 30, 2017 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-166 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Bank dated December 30, 2017 (the "Prospectus") in connection with the initial listing of the shares of the Bank on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the historical financial information

The directors of the Bank are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 3 to the Historical Financial Information, and for such internal control as the directors of the Bank determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Bank, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Bank and of the Group as of December 31, 2014, 2015 and 2016 and June 30, 2017 and of the financial performance and cash flows of the Group for the Track Record Period in accordance with the basis of preparation and presentation set out in note 3 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Bank are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with basis of preparation and presentation set out in note 3 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Stub Period Comparative Financial Information.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 44 to the Historical Financial Information which contains information about the dividends paid by the Bank in respect of the Track Record Period.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong

December 30, 2017

A HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements for the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Shinewing Certified Public Accountants LLP ("信永中和會計師事務所(特殊普通合夥)") in accordance with China Standards on Auditing issued by Chinese Institute of Certified Public Accountants (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

I CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,			Six months ended June 30,	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest income		7,992,660	11,129,068	12,062,975	5,826,739	6,871,394
Interest expenses		(4,559,660)	(5,995,034)	(5,392,758)	(2,648,625)	(3,120,795)
Net interest income	6	3,433,000	5,134,034	6,670,217	3,178,114	3,750,599
Fee and commission income		165,972	198,716	327,366	112,264	259,727
Fee and commission expenses		(27,427)	(57,290)	(71,053)	(32,620)	(35,216)
Net fee and commission income	7	138,545	141,426	256,313	79,644	224,511
Net trading (losses)/gains	8	—	(6,124)	(7,983)	6,247	(3,930)
Net losses arising from investment securities	9	—	(1,035)	—	—	—
Net exchange (losses)/gains		(1,222)	6,366	9,867	3,126	(4,658)
Other operating income, net	10	32,037	28,174	42,499	2,336	84,002
Operating income		3,602,360	5,302,841	6,970,913	3,269,467	4,050,524
Operating expenses	11	(1,258,576)	(1,829,984)	(1,903,834)	(876,893)	(842,203)
Impairment losses on assets	14	(937,954)	(1,720,552)	(2,504,347)	(1,438,897)	(497,123)
Operating profit		1,405,830	1,752,305	2,562,732	953,677	2,711,198
Share of profit of an associate	26	2,755	1,404	1,877	645	865
Profit before tax		1,408,585	1,753,709	2,564,609	954,322	2,712,063
Income tax expense	15	(345,998)	(455,312)	(643,605)	(237,509)	(666,231)
Profit for the year/period		1,062,587	1,298,397	1,921,004	716,813	2,045,832
Earnings per share						
—Basic and diluted (RMB cents)	16	19.48	17.21	25.47	9.49	27.13

I CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit for the year/period	1,062,587	1,298,397	1,921,004	716,813	2,045,832
Other comprehensive (expenses)/income for the year/period:					
Items that will not be reclassified subsequently to profit or loss:					
—Remeasurement of defined benefit obligations	(2,380)	(1,831)	(1,211)	(1,090)	2,480
—Income tax relating to item that will not be reclassified subsequently	595	458	303	273	(620)
	(1,785)	(1,373)	(908)	(817)	1,860
Items that may be reclassified subsequently to profit or loss:					
—Available-for-sale financial assets					
—Change in fair value recognized in investment revaluation reserve	3,771	53,312	(93,271)	(26,027)	(30,916)
—Income tax relating to item that may be reclassified subsequently	(943)	(13,328)	23,318	6,507	7,729
	2,828	39,984	(69,953)	(19,520)	(23,187)
Other comprehensive income/(expenses) for the year/period, net of income tax	1,043	38,611	(70,861)	(20,337)	(21,327)
Total comprehensive income for the year/period	1,063,630	1,337,008	1,850,143	696,476	2,024,505
Profit for the year/period attributable to:					
—Owners of the Bank	1,059,948	1,295,374	1,917,033	714,356	2,041,970
—Non-controlling interests	2,639	3,023	3,971	2,457	3,862
	1,062,587	1,298,397	1,921,004	716,813	2,045,832
Total comprehensive income for the year/period attributable to:					
—Owners of the Bank	1,060,991	1,333,985	1,846,172	694,019	2,020,643
—Non-controlling interests	2,639	3,023	3,971	2,457	3,862
	1,063,630	1,337,008	1,850,143	696,476	2,024,505

II CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At December 31, 2014	At December 31, 2015	At December 31, 2016	At June 30, 2017
		RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Cash and deposits with the central bank	17	21,172,453	23,548,717	25,079,115	26,618,429
Deposits with banks	18	19,427,723	26,573,765	24,571,875	42,774,894
Financial assets held under resale agreements	19	4,893,851	—	498,086	15,749,214
Financial assets at fair value through profit or loss	20	—	744,321	539,603	541,850
Interests receivables	21	782,679	763,491	668,953	968,004
Loans and advances to customers	22	55,518,299	88,206,942	104,099,125	113,922,284
Available-for-sale financial assets	23	12,244,728	5,264,263	6,199,558	10,288,468
Held-to-maturity investments	24	1,852,107	4,600,543	6,729,095	6,814,822
Debt securities classified as receivables	25	47,914,611	60,237,310	73,647,939	47,576,431
Interest in an associate	26	5,503	6,594	8,132	8,997
Property and equipment	28	611,483	733,504	1,428,269	1,384,226
Deferred tax assets	29	286,141	611,541	1,213,251	1,244,919
Other assets	30	390,529	639,748	373,356	1,462,086
Total assets		165,100,107	211,930,739	245,056,357	269,354,624
Liabilities and equity					
Liabilities					
Borrowings from the central bank	32	2,511,829	4,344,671	5,692,924	4,910,409
Deposits from banks and other financial institutions	33	37,049,549	39,934,294	35,777,400	28,609,844
Placements from banks and other financial institutions	34	80,000	700,000	—	50,000
Financial assets sold under repurchase agreements	35	2,010,428	5,206,119	4,580,481	7,572,908
Deposits from customers	36	110,541,618	141,020,627	171,165,321	186,931,485
Accrued staff costs	37	155,723	225,061	348,570	284,923
Taxes payable		344,871	576,930	1,091,992	352,770
Interests payable	38	1,262,939	1,524,068	2,329,230	3,335,923
Debts securities issued	39	—	5,903,045	10,134,895	21,456,417
Deferred tax liabilities	29	943	14,408	—	—
Other liabilities	40	392,345	386,800	591,900	481,796
Total liabilities		154,350,245	199,836,023	231,712,713	253,986,475
Equity					
Share capital	41	7,136,863	7,525,991	7,525,991	7,525,991
Capital reserve	42	1,754,806	1,763,337	1,765,183	1,765,183
Defined benefit plan reserve		(1,785)	(3,158)	(4,066)	(2,206)
Investment revaluation reserve		2,828	42,812	(27,141)	(50,328)
Surplus reserve	42	237,467	366,496	557,666	557,666
General reserve	42	1,105,135	1,898,424	3,226,100	3,226,100
Retained earnings		492,109	475,352	271,460	2,313,430
Total equity attributable to owners of the Bank		10,727,423	12,069,254	13,315,193	15,335,836
Non-controlling interests		22,439	25,462	28,451	32,313
Total equity		10,749,862	12,094,716	13,343,644	15,368,149
Total liabilities and equity		165,100,107	211,930,739	245,056,357	269,354,624

III CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Bank									
	Share Capital	Capital reserve	Defined benefit plan reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2014	4,899,752	816,970	—	—	131,853	557,124	307,475	6,713,174	8,954	6,722,128
Profit for the year	—	—	—	—	—	—	1,059,948	1,059,948	2,639	1,062,587
Other comprehensive (expenses)/income for the year	—	—	(1,785)	2,828	—	—	—	1,043	—	1,043
Total comprehensive (expenses)/income for the year	—	—	(1,785)	2,828	—	—	1,059,948	1,060,991	2,639	1,063,630
Changes in share capital										
—Capital contributed by equity shareholders	2,016,024	907,211	—	—	—	—	—	2,923,235	—	2,923,235
—Capitalization of retained earnings	221,087	—	—	—	—	—	(221,087)	—	—	—
Shareholders' injection (Note 42)	—	30,071	—	—	—	—	—	30,071	—	30,071
Changes in ownership in a subsidiary without change in control (Note 55)	—	554	—	—	—	—	—	554	11,446	12,000
Appropriation of profits:										
—Appropriation to surplus reserve	—	—	—	—	105,614	—	(105,614)	—	—	—
—Appropriation to general reserve	—	—	—	—	—	548,011	(548,011)	—	—	—
—Tax paid for capitalization of retained earnings	—	—	—	—	—	—	(602)	(602)	—	(602)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(600)	(600)
At December 31, 2014	7,136,863	1,754,806	(1,785)	2,828	237,467	1,105,135	492,109	10,727,423	22,439	10,749,862

III CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Bank									
	Share Capital	Capital reserve	Defined benefit plan reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	7,136,863	1,754,806	(1,785)	2,828	237,467	1,105,135	492,109	10,727,423	22,439	10,749,862
Profit for the year	—	—	—	—	—	—	1,295,374	1,295,374	3,023	1,298,397
Other comprehensive (expenses)/income for the year	—	—	(1,373)	39,984	—	—	—	38,611	—	38,611
Total comprehensive (expenses)/income for the year	—	—	(1,373)	39,984	—	—	1,295,374	1,333,985	3,023	1,337,008
Changes in share capital										
—Capitalization of retained earnings	389,128	—	—	—	—	—	(389,128)	—	—	—
Shareholder's injection (Note 42)	—	8,531	—	—	—	—	—	8,531	—	8,531
Appropriation of profits										
—Appropriation to surplus reserve	—	—	—	—	129,029	—	(129,029)	—	—	—
—Appropriation to general reserve	—	—	—	—	—	793,289	(793,289)	—	—	—
—Tax paid for capitalization of retained earnings	—	—	—	—	—	—	(685)	(685)	—	(685)
At December 31, 2015	7,525,991	1,763,337	(3,158)	42,812	366,496	1,898,424	475,352	12,069,254	25,462	12,094,716

III CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Bank									
	Share Capital	Capital reserve	Defined benefit plan reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2016	7,525,991	1,763,337	(3,158)	42,812	366,496	1,898,424	475,352	12,069,254	25,462	12,094,716
Profit for the year	—	—		—	—	—	1,917,033	1,917,033	3,971	1,921,004
Other comprehensive expenses for the year	—	—	(908)	(69,953)	—	—	—	(70,861)	—	(70,861)
Total comprehensive (expenses)/ income for the year	—	—	(908)	(69,953)	—	—	1,917,033	1,846,172	3,971	1,850,143
Shareholders' injection (Note 42)	—	1,846	—	—	—	—	—	1,846	—	1,846
Appropriation of profits										
—Appropriation to surplus reserve	—	—		—	191,170	—	(191,170)	—	—	—
—Appropriation to general reserve	—	—		—	—	1,327,676	(1,327,676)	—	—	—
— Dividend paid	—	—	—	—	—	—	(602,079)	(602,079)	—	(602,079)
Dividends paid to non-controlling interests	—	—		—	—	—	—	—	(982)	(982)
At December 31, 2016	7,525,991	1,765,183	(4,066)	(27,141)	557,666	3,226,100	271,460	13,315,193	28,451	13,343,644

III CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Bank									
	Share Capital	Capital reserve	Defined benefit plan reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2016 (audited)	7,525,991	1,763,337	(3,158)	42,812	366,496	1,898,424	475,352	12,069,254	25,462	12,094,716
Profit for the period (unaudited)	—	—	—	—	—	—	714,356	714,356	2,457	716,813
Other comprehensive expenses for the period (unaudited)	—	—	(817)	(19,520)	—	—	—	(20,337)	—	(20,337)
Total comprehensive (expenses)/income for the period (unaudited)	—	—	(817)	(19,520)	—	—	714,356	694,019	2,457	696,476
Appropriation of profits										
—Dividends recognized as distribution	—	—	—	—	—	—	(602,079)	(602,079)	—	(602,079)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(982)	(982)
At June 30, 2016 (unaudited)	7,525,991	1,763,337	(3,975)	23,292	366,496	1,898,424	587,629	12,161,194	26,937	12,188,131

III CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Bank									
	Share Capital	Capital reserve	Defined benefit plan reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	7,525,991	1,765,183	(4,066)	(27,141)	557,666	3,226,100	271,460	13,315,193	28,451	13,343,644
Profit for the period	—	—	—	—	—	—	2,041,970	2,041,970	3,862	2,045,832
Other comprehensive income/(expenses) for the period	—	—	1,860	(23,187)	—	—	—	(21,327)	—	(21,327)
Total comprehensive income/(expenses) for the period	—	—	1,860	(23,187)	—	—	2,041,970	2,020,643	3,862	2,024,505
At June 30, 2017	7,525,991	1,765,183	(2,206)	(50,328)	557,666	3,226,100	2,313,430	15,335,836	32,313	15,368,149

IV CONSOLIDATED CASH FLOW STATEMENTS

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
OPERATING ACTIVITIES					
Profit before tax for the year/period	1,408,585	1,753,709	2,564,609	954,322	2,712,063
Adjustments for:					
Depreciation of property and equipment	52,142	88,706	138,890	65,064	108,209
Amortization of long-term deferred expenses, land use rights and intangible assets	7,252	4,504	4,045	1,995	3,979
Impairment losses on assets	937,594	1,720,552	2,504,347	1,438,897	497,123
Interest expense on debts securities issued	—	35,105	445,795	231,935	417,567
Gain on disposal of property and equipment	139	(2,892)	11	—	—
Gain on disposal of repossessed assets	(973)	(595)	(528)	—	(31,839)
Net unrealized trading (gains)/losses	—	(550)	10,349	(544)	(2,247)
Net losses arising from investment securities	—	1,035	—	—	—
Government grants	(24,826)	(17,490)	(41,696)	(5,342)	(51,828)
Interest income on financial investments	(3,604,491)	(4,468,810)	(4,630,364)	(2,180,510)	(2,559,544)
Share of profits of associates	(2,755)	(1,404)	(1,877)	(645)	(865)
	(1,227,333)	(888,130)	993,581	505,172	1,092,618
Changes in operating assets					
Net (increase)/decrease in deposits with the central bank	(10,516,796)	(2,941,329)	709,548	1,983,999	(649,399)
Net (increase)/decrease in deposits with the banks	(2,724,999)	(1,640,134)	1,270,297	1,615,134	(10,752,437)
Net decrease in financial assets held under resale agreements	1,845,760	—	—	—	—
Net (increase)/decrease in financial assets at fair value through profit or loss	—	(743,771)	194,369	157,740	—
Net increase in loans and advances to customers	(26,475,375)	(34,175,161)	(17,228,381)	(8,954,223)	(10,314,826)
Net decrease/(increase) in other operating assets	331,559	(13,934)	(37,536)	(19,744)	(190,698)
	(37,539,851)	(39,514,329)	(15,091,703)	(5,217,094)	(21,907,360)
Changes in operating liabilities					
Net increase/(decrease) in borrowing from central bank	1,022,591	1,832,842	1,348,253	543,346	(782,515)
Net increase/(decrease) in deposits and placements from banks and other financial institutions	22,439,759	3,504,745	(4,856,894)	1,314,108	(7,117,556)
Net increase/(decrease) in financial assets sold under repurchase agreements	2,010,428	3,195,691	(625,638)	(3,066,482)	2,992,427
Net increase in deposits from customers	54,667,425	30,479,009	30,144,694	3,444,981	15,766,164
Net increase/(decrease) in other operating liabilities	804,573	313,701	1,132,560	(170,877)	725,780
	80,944,776	39,325,988	27,142,975	2,065,076	11,584,300
Cash generated from operations	42,177,592	(1,076,471)	13,044,853	(2,646,846)	(9,230,442)
Income tax paid	(324,571)	(548,058)	(721,040)	(467,478)	(1,430,012)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	41,853,021	(1,624,529)	12,323,813	(3,114,324)	(10,660,454)

IV CONSOLIDATED CASH FLOW STATEMENTS (Continued)

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
INVESTING ACTIVITIES					
Proceeds from disposal of investments	109,790,946	87,834,364	118,808,193	55,675,173	60,479,043
Interest income from financial investments	3,012,591	4,549,598	4,771,206	2,251,028	2,536,644
Proceeds from disposal of property and equipment and other assets	856	3,987	766	—	42,782
Dividends received from associates	252	313	339	—	—
Payments on acquisition of investments	(154,890,439)	(96,106,317)	(136,541,655)	(56,729,906)	(38,610,790)
Payments on acquisition of property and equipment and intangible assets	(248,192)	(211,227)	(467,404)	(50,037)	(107,814)
Deposits paid for acquisitions of premises	(70,000)	(296,500)	(115,229)	—	(1,153,211)
Payments on acquisition of land use rights	(21,419)	(5,363)	(126)	—	—
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(42,425,405)	(4,231,145)	(13,543,910)	1,146,258	23,186,654
FINANCING ACTIVITIES					
Proceeds from capital contribution by equity shareholders	2,923,235	—	—	—	—
Shareholders' injection	30,071	8,531	1,846	—	—
Capital contribution by non-controlling interests	12,000	—	—	—	—
Government grants received	24,826	17,490	41,696	5,342	51,828
Proceeds from issue of new debt securities	—	10,900,481	35,519,255	20,480,065	30,416,705
Repayment of debt securities issued	—	(5,010,000)	(31,570,000)	(13,228,400)	(19,400,000)
Interest paid on debts securities issued	—	—	(163,200)	—	—
Debt securities issue expenses	—	(13,151)	—	—	(3,108)
Tax paid for capitalization of retained earnings	(602)	(685)	—	—	—
Dividends paid	—	—	(602,079)	(602,079)	—
Dividends paid to non-controlling interests	(600)	—	(982)	(982)	—
NET CASH FROM FINANCING ACTIVITIES	2,988,930	5,902,666	3,226,536	6,653,946	11,065,425
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,416,546	46,992	2,006,439	4,685,880	23,591,625
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/ PERIOD	21,082,040	23,498,586	23,545,578	23,545,578	25,552,017
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD (Note 47)	23,498,586	23,545,578	25,552,017	28,231,458	49,143,642
Interest received	7,475,441	11,145,728	12,157,513	5,781,884	7,170,445
Interest paid (excluding interest expense on debts securities issued)	(3,840,169)	(5,733,905)	(4,750,796)	(2,546,555)	(2,114,102)

B STATEMENTS OF FINANCIAL POSITION OF THE BANK

	Notes	At December 31, 2014	At December 31, 2015	At December 31, 2016	At June 30, 2017
		RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Cash and deposits with the central bank	17	21,063,718	23,465,615	24,928,991	26,516,062
Deposits with banks	18	19,273,344	26,520,282	24,542,946	42,508,827
Financial assets held under resale agreements	19	4,893,851	—	498,086	15,749,214
Financial assets at fair value through profit or loss	20	—	744,321	539,603	541,850
Interests receivables	21	780,065	761,812	667,179	965,544
Loans and advances to customers	22	55,161,407	87,606,564	103,471,918	113,270,616
Available-for-sale financial assets	23	12,244,728	5,264,263	6,199,558	10,288,468
Held-to-maturity investments	24	1,852,107	4,600,543	6,729,095	6,814,822
Debt securities classified as receivables	25	47,914,611	60,237,310	73,647,939	47,576,431
Interest in an associate	26	5,503	6,594	8,132	8,997
Investment in a subsidiary	27	29,250	29,250	29,250	29,250
Property and equipment	28	600,999	722,248	1,417,700	1,373,823
Deferred tax assets	29	284,914	610,243	1,210,823	1,242,491
Other assets	30	388,683	636,533	370,592	1,459,064
Total assets		164,493,180	211,205,578	244,261,812	268,345,459
Liabilities and equity					
Liabilities					
Borrowings from the central bank	32	2,411,829	4,213,671	5,632,924	4,830,409
Deposits from banks and other financial institutions	33	37,203,130	39,974,704	35,843,069	28,639,657
Placements from banks and other financial institutions	34	—	700,000	—	50,000
Financial assets sold under repurchase agreements	35	2,010,428	5,206,119	4,580,481	7,572,908
Deposits from customers	36	109,998,119	140,435,287	170,429,234	186,050,391
Accrued staff costs	37	155,699	224,292	345,130	282,676
Taxes payable		341,411	573,327	1,088,445	347,973
Interests payable	38	1,260,611	1,519,106	2,322,677	3,326,487
Debts securities issued	39	—	5,903,045	10,134,895	21,456,417
Deferred tax liabilities	29	943	14,408	—	—
Other liabilities	40	392,105	385,973	588,707	478,152
Total liabilities		153,774,275	199,149,932	230,965,562	253,035,070
Equity					
Share capital	41	7,136,863	7,525,991	7,525,991	7,525,991
Capital reserve	42	1,754,252	1,762,783	1,764,629	1,764,629
Defined benefit plan reserve		(1,785)	(3,158)	(4,066)	(2,206)
Investment revaluation reserve		2,828	42,812	(27,141)	(50,328)
Surplus reserve	42	237,467	366,496	557,665	557,665
General reserve	42	1,092,883	1,886,172	3,213,847	3,213,847
Retained earnings		496,397	474,550	265,325	2,300,791
Total equity		10,718,905	12,055,646	13,296,250	15,310,389
Total liabilities and equity		164,493,180	211,205,578	244,261,812	268,345,459

C NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 CORPORATE INFORMATION

The Bank was established in Lanzhou, Gansu Province, the People's Republic of China (the "PRC") on September 27, 2011 with the approval of China Banking Regulatory Commission (the "CBRC"). Prior to its establishment, the banking business was carried out by two city commercial banks (the "Predecessor Entities"), each being located in Gansu Province.

Pursuant to reorganization initiated by the People's Government of Gansu Province, the Bank was established through the merger and reorganization of the Predecessor Entities.

The Bank obtained its finance permit No. B1228H262010001 from the CBRC, and obtained its business license No. 91620000585910383X from the Gansu Administration of Industry and Commerce. The legal representative is Li Xin and the address of the registered office is No. 122, Gannan Road, Chengguan District, Lanzhou, Gansu Province.

As of June 30, 2017, the Bank has a head office, 9 branches, 189 sub-branches, 2 micro-to-small enterprise sub-branches and a subsidiary. The principal activities of the Bank and its subsidiary (collectively referred to as the "Group") are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBRC. The Group operates in mainland China.

The Historical Financial Information are presented in Renminbi ("RMB"), which is also the functional currency of the Bank and its subsidiary.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the purpose of preparing and presenting the Historical Financial Information, the Group has consistently adopted all of the new and revised International Accounting Standards ("IASs"), IFRSs amendments and the related interpretations ("IFRICs") (herein collectively referred to as the "IFRSs") issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning on January 1, 2017 throughout the Track Record Period.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 (2014)	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2014 – 2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transaction[1]
Amendments to IFRS 4	Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfers of Investment Property[1]

1 Effective for annual periods beginning on or after January 1, 2018.
2 Effective for annual periods beginning on or after January 1, 2019.
3 Effective date not yet been determined.
4 Effective for annual periods beginning on or after January 1, 2021.

Except as described below, the application of other new and revised IFRSs will have no material impact on the Group's and Bank's Historical Financial Information.

IFRS 9 (2014) Financial instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, IFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the consolidated financial statements. A finalized version of IFRS 9 was issued in 2014 to incorporate all the requirements of IFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalized version of IFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of IFRS 9 (2014) are described as follows:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. 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

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 9 (2014) Financial instruments (Continued)

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 FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9 (2014), 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 income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- IFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, IFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under IAS 39, it is necessary to exhibit eligibility and compliance with the requirements in IAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for IAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

IFRS 9 (2014) will become effective for annual periods beginning on or after January 1, 2018 with early application permitted.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 9 (2014) Financial instruments (Continued)

The directors of the Bank have assessed the impact of the IFRS 9 to the Group's Historical Financial Information as follows:

Classification and measurement

Available-for-sale debt and equity investments as disclosed in note 23: these financial assets will either be measured at fair value through profit or loss ("FVTPL") or be designated as FVTOCI (subject to fulfillment of the designation criteria); however the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the current accounting treatment. This will affect the amounts recognized in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income.

Financial assets at FVTPL as disclosed in note 20 will be qualified for designation as measured at FVTPL under IFRS 9.

All other financial assets, depend on the Group's business model and contractual cash flow characteristics of the respective financial assets, will be either measured at amortized cost, FVTPL or FVTOCI.

All other financial liabilities will continue to be measured at amortized cost.

Impairment

Financial assets measured at amortized cost will be subject to the impairment provision of IFRS 9.

The Group has already commenced the implementation work of IFRS 9, including revising the Group's accounting policies, establishing the new financial asset classification work, revising the new financial asset impairment model and the related disclosures in the financial statements in accordance with IFRS 9. The Group is also updating the relevant internal controls and policies as well as the related information technology ("IT") system to meet the IFRS 9 implementation requirements. The Group anticipates that the Group is well prepared for the implementation of IFRS 9 in early 2018.

Based on the current assessment made by the directors of the Bank, the Bank anticipated that the application of IFRS 9 in the future will not have material impact on the Group's provision for impairment losses and retained earnings.

IFRS 15 Revenue from Contracts with Customers

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

entity expects to be entitled in exchange for those goods or services. Thus, IFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The five steps are as follows:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

IFRS 15 will become effective for annual periods beginning on or after January 1, 2018 with early application permitted. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Bank anticipate that the application of IFRS 15 in the future may have result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognized as an asset under IFRS 15. The application of IFRS 15 in the future may result in more disclosures but will not have material impact on the timing and amounts of revenue recognized in the respective report periods.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 16 Leases (Continued)

At the commencement date of the lease, the lessee is required to recognize a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognized at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 will be effective for annual periods beginning on or after January 1, 2019 with early application permitted provided that the entity has applied IFRS 15 *Revenue from contracts with customers* at or before the date of initial application of IFRS 16.

As of June 30, 2017, the Group has non-cancellable operating lease commitments of approximately RMB406,047,000, set out in Note 53(b). However, the Group is in process to assess 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. The directors of the Bank do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognized in the consolidated statement of financial position as right-of-use assets and lease liabilities under IFRS 16.

The Group expects that, as a lessor, there will be no significant impact on the Historical Financial Information.

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with IFRSs issued by the IASB on the historical cost basis except for certain financial instruments that are measured at fair values and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Bank and entities controlled by the Bank (i.e. its subsidiary). Control is achieved where the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses 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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of the subsidiary are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of the subsidiary is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies.

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.

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

Investment in a subsidiary

Investment in a subsidiary is included in the Bank's statement of financial position at cost less accumulated impairment losses, if any.

Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by The People's Bank of China (the "PBoC"), the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of each of the Track Record Period. The resulting exchange differences are recognized in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognized in profit or loss, except for the exchange differences arising from the translation of non-monetary available-for-sale financial assets which are recognized in capital reserve.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits with banks and highly liquid short term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

Investments in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in an associate (Continued)

The Group's investments in associates are accounted for in the Historical Financial Information using the equity method. Under the equity method, investments in associates are initially recognized at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognized in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognized as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognizing the associate's losses (if any), the Group determines whether it is necessary to recognize any additional impairment loss with respect to its investment in the associate. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. Any amount previously recognized in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in an associate (Continued)

Gains and losses resulting from transactions between the Group and its associate are recognized in Historical Financial Information only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments other than those financial assets classified as of FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as of FVTPL on initial recognition.

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as of FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as of FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial assets and is included in the net trading (losses)/gains line item in the consolidated statements of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 51.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans and advances to customers, debt securities classified as receivables and deposits with banks) are stated at amortized cost using the effective interest method, less any identifies impairment losses.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are stated at amortized cost using the effective interest method, less any identified impairment losses.

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Interest income is recognized in profit or loss using the effective interest method.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- disappearance of an active market for financial assets because of financial difficulties.

Loans and receivables

The Group uses two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

Individual assessment

Loans and receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence of impairment of loans and receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. The impairment losses are recognized in profit or loss.

It may not be possible to identify a single, discrete event that caused the impairment but it may be possible to identify impairment through the combined effect of several events.

Cash flows relating to short-term loans and receivables are not discounted when assessing impairment loss if the difference between the estimated future cash flows and its present value is immaterial.

The calculation of the present value of the estimated future cash flows of a collateralized loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Collective assessment

Loans and receivables which are assessed collectively for impairment include individually assessed loans and receivables with no objective evidence of impairment on an individual basis, and homogeneous groups of loans and receivables which are not considered individually significant and not assessed individually. Loans and receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets (Continued)

Homogeneous groups of loans not considered individually significant

For homogeneous groups of loans that are not considered individually significant, the Group adopts a loan mitigation rate methodology to collectively assess impairment losses. This methodology utilizes a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions and judgment based on management's historical experience.

Individually assessed loans with no objective evidence of impairment on an individual basis

Loans which are individually significant and therefore have been individually assessed but for which no objective evidence of impairment can be identified, either due to the absence of any loss events or due to an inability to measure reliably the impact of loss events on future cash flows, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. This assessment covers those loans and advances that were impaired at the end of each of the Track Record Period but which will not be individually identified as such until sometime in the future.

The collective impairment loss is assessed after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics;
- the emergence period between a loss occurring and that loss being identified; and
- the current economic and credit environments and the judgment on inherent loss based on management's historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

As soon as information is available that specifically identifies objective evidence of impairment on individual assets in a portfolio, those assets are removed from the portfolio of financial assets. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment for impairment.

The Group periodically reviews and assesses the impaired loans and receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provision for impairment losses.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

When the Group determines that loans and receivables have no reasonable prospect of recovery after the Group has completed all the necessary legal or other claim proceedings, the loans and

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets (Continued)

Individually assessed loans with no objective evidence of impairment on an individual basis (Continued)

receivables are written off against its provision for impairment losses upon necessary approval. If in a subsequent period the loans and receivables written off are recovered, the amount recovered is recognized in profit or loss through impairment losses.

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan meets specific conditions, it is no longer considered as impaired.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in other comprehensive income and accumulated in investments revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

The Group's financial liabilities are classified into other financial liabilities.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

Offsetting financial instruments

Financial assets and liabilities of the Group are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial guarantees contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as of FVTPL is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the revenue recognition policy.

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

A financial asset is derecognized only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in investments revaluation reserve is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

A financial liability is derecognized when, and only when, the Group's obligations are discharged, canceled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Fair value measurement

When measuring fair value for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Specifically, the Group categorized the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 — Quoted (unadjusted) market 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.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the consolidated statements of financial position at amortized cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the consolidated statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortized cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized respectively as interest income and interest expense over the life of each agreement using the effective interest method.

Property and equipment

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Property and equipment including buildings and leasehold improvement for use in the supply of services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off their costs, other than construction in progress, less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation/amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)

Construction in progress is carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment, other than construction in progress, are as follows:

Classes	Estimated residual value rates	Useful lives
Premises	5%	20 years
Electronic equipment	3%	5 years
Motor vehicles	3%	5 years
Leasehold improvement	0%	3 years or shorter of economic useful lives
Computer software	0%	3 years or shorter of economic useful lives
Office equipment	3%	5 years

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

Land use rights

Land use rights are classified in other assets and amortized over a straight-line basis over their authorized useful lives.

Intangible asset

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as, a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Impairment on tangible and intangible assets other than goodwill and financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets are initially recognized at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Salaries and allowances

Salaries and allowances are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Contributions from employees or third parties to defined benefit plans

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the measurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduce service cost in the period in which the related service is rendered.

Other social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognized in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in respect of their services in the current and prior periods.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statements of profit or loss and other comprehensive

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions (Continued)

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding ("entrusted funds") to the Group, and the Group grants loans to third parties ("entrusted loans") under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for services provided in the normal course of business.

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

- Interest income for financial assets is recognized in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortization of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

  The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

- Fee and commission income is recognized in profit or loss when the corresponding service is provided.

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

- Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).
- Other income is recognized on an accrual basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Expenses recognition

Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortized cost and the applicable effective interest rate.

Other expenses

Other expenses are recognized on an accrual basis.

Related parties

If a Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group and the Bank include, but are not limited to:

(a) the Bank's subsidiary;

(b) investors that exercise significant influence over the Group;

(c) key management personnel of the Group and close family members of such individuals;

(d) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, and close family members of such individuals.

3 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Dividends

Dividends are recognized as a liability and deducted from equity when they are approved by the Bank'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 Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as a subsequent event.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Bank are required to make judgments, estimates and assumptions about the amounts of

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

assets, liabilities, revenue and expenses reported and disclosures made in the Historical Financial Information. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the directors of the Bank have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized and disclosures made in the Historical Financial Information.

The classification of the held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments, if the Group has the intention and ability to hold them until maturity. In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgments. Failure in correctly assessing the Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Significant influence over an associate

As per Note 26 to the Historical Financial Information, the directors of the Bank considered Gansu Jingchuan CDB Village Bank* ("甘肅涇川國開村鎮銀行股份有限公司"), ("Gansu Jingchuan"), in which the Group has 16.67% equity interest in, is an associate of the Group as the Group has significant influence over Gansu Jingchuan by virtue of its contractual right to appoint one directors to the board of directors of Gansu Jingchuan. The Group is able to exercise significant influence in deciding the financial and operating policies of the associate.

* The English translation is for identification only.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgment in applying accounting policies (Continued)

Determination of control over investees

Management applies its judgment to determine whether the control indicators indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group acts as manager to a number of non-principal guaranteed wealth management products and asset management plans. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products and asset management plans in which the Group has an interest or for which it is a sponsor, see note 45.

Legal title of land and buildings

As detailed in note 28, certain of the Group's premises as at December 31, 2014, 2015, 2016 and June 30, 2017 of which title deeds were not yet finalized by the Group. Although the Group had not obtained the relevant legal titles, the premises were recognized in the consolidated statement of financial position as at December 31, 2014, 2015, 2016 and June 30, 2017 on the grounds that the Group is in substance controlling these land and buildings.

At December 31, 2014, 2015, 2016 and June 30, 2017, the premises with carrying amount of approximately RMB248,424,000, RMB236,930,000 and RMB899,857,000 and RMB901,318,000, respectively was in the process of finalizing title deeds.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment losses of loans and advances and debt securities classified as receivables

The Group determines periodically whether there is any objective evidence that impairment losses have occurred on loans and advances and debt securities classified as receivables. If any such evidence exists, the Group assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgment on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment losses of loans and advances and debt securities classified as receivables (Continued)

As of December 31, 2014, 2015 and 2016 and June 30, 2017 the carrying amount of loan and advances to customers was approximately RMB55,518,299,000, RMB88,206,942,000 and RMB104,099,125,000 and RMB113,922,284,008, respectively, net of accumulated impairment loss of approximately RMB977,239,000, RMB2,419,757,000 and RMB3,755,955,000 and RMB4,247,622,000 respectively.

As of December 31, 2014, 2015 and 2016 and June 30, 2017 the carrying amount of debt securities classified as receivables was approximately RMB47,914,611,000, RMB60,237,310,000 and RMB73,647,939,000 and RMB47,576,431,000, respectively net of accumulated impairment loss of approximately RMB483,986,000, RMB717,549,000 and RMB1,879,493,000 and RMB1,879,493,000 respectively.

Impairment losses of available-for-sale financial assets and held-to-maturity investments

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale financial assets and held-to-maturity investments, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology as well as operating and financing cash flows. This requires a significant level of judgment of management, which would affect the amount of impairment losses.

As of December 31, 2014, 2015 and 2016 and June 30, 2017 the carrying amount of available-for-sale financial assets was approximately RMB12,244,728,000, RMB5,264,263,000 and RMB6,199,558,000 and RMB10,288,468,000, respectively. No accumulated loss was recognized.

As of December 31, 2014, 2015 and 2016 and June 30, 2017 the carrying amount of held-to-maturity financial assets was approximately RMB1,852,107,000, RMB4,600,543,000 and RMB6,729,095,000 and RMB6,814,822,000, respectively, net of accounted impairment loss RMB18,708,000, RMB18,705,000 and RMB22,476,000 and RMB20,178,000, respectively.

Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments and discounted cash flow analysis. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

As at December 31, 2014, 2015 and 2016 and June 30, 2017 the financial asset that are measured at fair value on a recurring basis is approximately RMB12,234,728,000, RMB5,948,584,000 and RMB6,729,161,000 and RMB10,820,318,000, respectively.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of non-financial assets

Non-financial assets (i.e., property and equipment, repossessed assets, deposits paid for acquisitions of premises, land use rights, long-term deferred expenses and intangible assets) are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgments are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

As at December 31, 2014, 2015 and 2016 and June 30, 2017 the carrying amount of non-financial assets was approximately RMB812,217,000, RMB1,234,032,000 and RMB1,676,337,000 and RMB2,685,115,000, respectively, net of accumulated impairment losses of approximately RMB44,417,000, RMB43,739,000 and RMB42,022,000 and RMB633,000 respectively.

Depreciation and amortization

Property and equipment and intangible assets are depreciated and amortized using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortization costs charged in each of the Track Record Period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortization, the amount of depreciation or amortization will be revised.

As of December 31, 2014, 2015 and 2016 and June 30, 2017 the carrying amount of property and equipment was approximately RMB611,483,000, RMB733,504,000 and RMB1,428,269,000 and RMB1,384,226,000, respectively, net of accumulated depreciation of approximately RMB130,390,000, RMB216,578,000, RMB354,979,000 and RMB453,336,000, respectively.

As of December 31, 2014, 2015 and 2016 and June 30, 2017 the carrying amount of intangible assets was approximately RMB320,000, RMB200,000 and RMB80,000 and RMB214,000, respectively, net of accumulated amortization of approximately RMB280,000, RMB400,000, RMB520,000 and RMB619,000, respectively.

Impairment of interest in an associate

In determining whether the interest in an associate are impaired, the directors of the Bank assesses the recoverable amount of the interests in associates which is the higher of its fair value less costs of disposal and its value in use. An impairment loss is made if the carrying amount of interests in associates exceeds its recoverable amount. In determining the recoverable amount of the interests in

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of interest in an associate (Continued)

associates, the directors of the Bank require an estimation of the future cash flows expected to arise from the expected dividend yield from the associates in order to determine the value in use of the interests in associates.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the carrying amount of interest in an associate was approximately RMB5,503,000, RMB6,594,000 and RMB8,132,000 and RMB8,997,000, respectively, net of accumulated impairment loss of nil.

5 TAXATION

The Group's main applicable taxes and tax rates are as follows:

(a) Business tax

Business tax is charged at 3%-5% on taxable income.

(b) Urban maintenance and construction tax

Urban maintenance and construction tax is calculated as 5%-7% of business tax and value added tax.

(c) Education surcharge

Education surcharge is calculated as 3% of business tax and value added tax.

(d) Local education surcharge

Local education surcharge is calculated as 2% of business tax and value added tax.

(e) Income tax

The income tax is calculated on taxable income. The statutory income tax rate is 15%-25%.

(f) Value added tax

Pursuant to the "Circular regarding the Pilot Program on Comprehensive Implementation of Value Added Tax Reform" issued by the Ministry of Finance of the PRC (the "MOF") and the State Administration of Taxation, the Group is required to pay value added tax instead of business tax from May 1, 2016. Value added tax and related underlying value of the invoice for value added taxable income and expenses shall be stated and accounted for separately.

6 NET INTEREST INCOME

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest income arising from					
—Deposits with the central bank	227,832	358,603	342,582	166,483	186,349
—Deposits with banks	801,766	675,838	453,277	216,305	355,051
—Placements with banks and other financial institutions	—	17	83	—	—
—Financial assets at fair value through profit or loss	—	15,986	38,898	23,238	24,683
—Loans and advances to customers:					
Corporate loans and advances	2,956,190	4,773,656	5,608,428	2,755,083	2,999,076
Personal loans and advances	127,624	324,923	460,536	219,437	292,213
Discounted bills	179,374	398,107	506,925	255,886	417,144
—Financial assets held under resale agreements	95,383	113,128	21,882	9,797	37,334
—Investments	3,604,491	4,468,810	4,630,364	2,180,510	2,559,544
	7,992,660	11,129,068	12,062,975	5,826,739	6,871,394
Less: Interest expenses arising from					
—Borrowing from the central bank	(43,238)	(106,328)	(147,349)	(71,030)	(75,982)
—Deposits from banks and other financial institutions	(2,269,035)	(1,809,005)	(1,817,877)	(845,192)	(765,328)
—Placements from banks and other financial institutions	—	(587)	(2,777)	(2,481)	(4,293)
—Deposits from customers:					
Corporate customers	(1,328,128)	(1,916,919)	(1,126,794)	(596,214)	(590,107)
Individual customers	(884,211)	(1,970,830)	(1,761,339)	(871,337)	(1,134,293)
—Financial assets sold under repurchase agreements	(35,048)	(156,260)	(90,827)	(30,436)	(133,225)
—Debts securities issued	—	(35,105)	(445,795)	(231,935)	(417,567)
	(4,559,660)	(5,995,034)	(5,392,758)	(2,648,625)	(3,120,795)
	3,433,000	5,134,034	6,670,217	3,178,114	3,750,599

7 NET FEE AND COMMISSION INCOME

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fee and commission income					
—Wealth management service fees	43,788	39,778	125,002	24,196	125,162
—Bank acceptance bills service fees	38,167	48,437	31,189	16,956	13,040
—Agency services fees	41,878	67,248	99,594	39,456	57,038
—Settlement and clearing fees	19,157	27,365	41,337	18,287	45,231
—Letter of guarantee service fees	1,204	7,553	5,674	2,308	3,329
—Others	21,778	8,335	24,570	11,061	15,927
	165,972	198,716	327,366	112,264	259,727
Fee and commission expense					
—Settlement and clearing fees	(2,576)	(2,189)	(2,894)	(1,034)	(745)
—Bank card service fees	(23,583)	(49,378)	(62,348)	(29,092)	(30,881)
—Others	(1,268)	(5,723)	(5,811)	(2,494)	(3,590)
	(27,427)	(57,290)	(71,053)	(32,620)	(35,216)
	138,545	141,426	256,313	79,644	224,511

8 NET TRADING (LOSSES)/GAINS

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Trading financial instruments					
Realized (losses)/gains from debt securities	—	(6,674)	2,366	5,703	(6,177)
Unrealized gains/(losses) from debt securities	—	550	(10,349)	544	(2,247)
	—	(6,124)	(7,983)	6,247	(3,930)

9 NET LOSSES ARISING FROM INVESTMENT SECURITIES

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net losses on disposal of available-for-sale financial assets	—	(1,035)	—	—	—

10 OTHER OPERATING INCOME, NET

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Government grants (Note)	24,826	17,490	41,696	5,342	51,828
(Loss)/gain on disposal of property and equipment	(139)	2,892	(11)	—	—
Gain on disposal of repossessed assets	973	595	528	—	31,839
Rental income	6,852	6,571	5,013	2,251	377
Others operating (expenses)/income	(475)	626	(4,727)	(5,257)	(42)
	32,037	28,174	42,499	2,336	84,002

10 OTHER OPERATING INCOME, NET (Continued)

Note: Government grants recognized as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.

11 OPERATING EXPENSES

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Staff costs (including directors' emoluments)					
—Salaries and bonuses	401,440	677,291	789,114	358,813	397,118
—Staff welfares	21,227	27,362	34,349	9,657	4,236
—Social insurance	55,643	101,051	117,542	61,735	58,423
—Housing allowances	17,215	29,287	36,689	17,901	22,954
—Labor union and staff education expenses	7,302	11,607	15,257	4,516	5,289
—Others	2,007	504	14,171	1,063	1,407
	504,834	847,102	1,007,122	453,685	489,427
Premises and equipment expenses					
—Depreciation of property and equipment	52,142	88,706	138,890	65,064	108,209
—Amortization of long term deferred expenses	6,447	3,650	3,066	1,734	1,657
—Amortization of land use rights	685	734	859	201	2,223
—Amortization of intangible assets	120	120	120	60	99
—Rental and property management expenses	92,116	152,141	170,813	84,243	78,003
	151,510	245,351	313,748	151,302	190,191
Business tax and surcharges	193,863	307,255	149,847	113,461	20,460
Other general and administrative expenses (Note)	408,369	430,276	433,117	158,445	142,125
	1,258,576	1,829,984	1,903,834	876,893	842,203

Note: Auditor's remuneration for the years ended December 31, 2014, 2015, and 2016 and six months ended June 30, 2016 (unaudited) and 2017 were approximately RMB474,000, RMB623,000, RMB987,000, RMB709,000 and RMB1,229,000, respectively.

Listing expenses for the years ended December 31, 2014, 2015, and 2016 and six months ended June 30, 2016 (unaudited) and 2017 were approximately nil, nil, nil, nil and RMB907,000, respectively.

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments before individual income tax of directors and supervisors of the Bank paid and/or payable by the Group during the Track Record Period are set out below:

For the year ended December 31, 2014

	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
LI Xin	—	452	59	276	787
CHEN Jinggong	—	410	58	248	716
LIU Qing	—	362	59	225	646
LIE Tie	—	362	59	225	646
Non-executive directors					
QIAO Songqing	—	—	—	—	—
LI Hui	—	—	—	—	—
XIA Tian	—	—	—	—	—
SUN Hongyuan	—	—	—	—	—
ZHANG Hongxia	143	—	—	—	143
Independent non-executive directors					
TIAN Ruizhang	143	—	—	—	143
XU Xuefeng	143	—	—	—	143
BAO Guoxian	143	—	—	—	143
Supervisors					
YANG Qian	—	362	59	225	646
XU Yongfeng	—	163	59	770	992
LUO Zhenxia	—	163	59	770	992
PU Peiwen	—	—	—	—	—
ZHANG Chen	—	—	—	—	—
LI Yongjun	—	—	—	—	—
ZHU Xingjie	—	—	—	—	—
	572	2,274	412	2,739	5,997

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended December 31, 2015

	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
LI Xin	—	451	63	276	790
CHEN Jinggong	—	409	61	177	647
LIU Qing	—	362	63	225	650
LIE Tie	—	362	63	225	650
Non-executive directors					
QIAO Songqing	—	—	—	—	—
LI Hui	—	—	—	—	—
XIA Tian	—	—	—	—	—
SUN Hongyuan	—	—	—	—	—
ZHANG Hongxia	143	—	—	—	143
Independent non-executive directors					
TIAN Ruizhang	143	—	—	—	143
XU Xuefeng(1)	143	—	—	—	143
BAO Guoxian(1)	143	—	—	—	143
Supervisors					
YANG Qian	—	362	63	225	650
XU Yongfeng	—	307	63	716	1,086
LUO Zhenxia	—	293	61	709	1,063
PU Peiwen	—	—	—	—	—
ZHANG Chen	—	—	—	—	—
LI Yongjun	—	—	—	—	—
ZHU Xingjie	—	—	—	—	—
	572	2,546	437	2,553	6,108

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended December 31, 2016

	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
LI Xin	—	441	69	276	786
CHEN Jinggong(2)	—	—	—	—	—
LIU Qing	—	360	69	229	658
LIE Tie	—	353	69	225	647
Non-executive directors					
QIAO Songqing(3)	—	—	—	—	—
WU Changhong(4)	—	—	—	—	—
LI Hui	—	—	—	—	—
XIA Tian(3)	—	—	—	—	—
SUN Hongyuan(3)	—	—	—	—	—
GUO Jirong(4)	—	—	—	—	—
ZHANG Youda(4)	—	—	—	—	—
ZHANG Hongxia	143	—	—	—	143
Independent non-executive directors					
TIAN Ruizhang	143	—	—	—	143
CHEN Aiguo(4)	24	—	—	—	24
ZHANG Ping(4)	24	—	—	—	24
Supervisors					
YANG Qian	—	353	69	225	647
XU Yongfeng	—	334	69	669	1,072
LUO Zhenxia	—	293	62	641	996
PU Peiwen(3)	—	—	—	—	—
ZHANG Chen(3)	—	—	—	—	—
Liu Yongchong(4)	—	—	—	—	—
Liu Xiaoyu(4)	—	—	—	—	—
LI Yongjun	—	—	—	—	—
ZHU Xingjie	—	—	—	—	—
	334	2,134	407	2,265	5,140

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the six months ended June 30, 2016 (Unaudited)

	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
LI Xin	—	221	32	—	253
CHEN Jinggong(2)	—	67	11	—	78
LIU Qing	—	177	32	—	209
LIE Tie	—	177	32	—	209
Non-executive directors					
QIAO Songqing	—	—	—	—	—
LI Hui	—	—	—	—	—
XIA Tian	—	—	—	—	—
SUN Hongyuan	—	—	—	—	—
ZHANG Hongxia	71	—	—	—	71
Independent non-executive directors					
TIAN Ruizhang	71	—	—	—	71
Supervisors					
YANG Qian	—	177	32	—	209
XU Yongfeng	—	182	32	60	274
LUO Zhenxia	—	173	30	42	245
PU Peiwen	—	—	—	—	—
ZHANG Chen	—	—	—	—	—
LI Yongjun	—	—	—	—	—
ZHU Xingjie	—	—	—	—	—
	142	1,174	201	102	1,619

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the six months ended June 30, 2017

	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
LI Xin	—	220	35	—	255
LIU Qing	—	199	35	—	234
LIE Tie	—	176	35	—	211
Non-executive directors					
WU Changhong	—	—	—	—	—
LI Hui	—	—	—	—	—
GUO Jirong	—	—	—	—	—
ZHANG Youda	—	—	—	—	—
ZHANG Hongxia	71	—	—	—	71
Independent non-executive directors					
TIAN Ruizhang(5)	71	—	—	—	71
CHEN Aiguo	71	—	—	—	71
ZHANG Ping(5)	71	—	—	—	71
Supervisors					
YANG Qian	—	176	35	—	211
XU Yongfeng	—	191	35	134	360
LUO Zhenxia	—	182	30	107	319
Liu Yongchong	—	—	—	—	—
Liu Xiaoyu	—	—	—	—	—
LI Yongjun	—	—	—	—	—
ZHU Xingjie	—	—	—	—	—
	284	1,144	205	241	1,874

Notes:
(1) Resigned on December 30, 2015.
(2) Resigned on February 25, 2016.
(3) Resigned on November 20, 2016.
(4) Appointed on November 20, 2016.
(5) Resigned on July 27, 2017.

Mr. LI Xin is also the chief executive of the Bank and his emoluments disclosed above include those for services rendered by him as the chief executive.

No directors of the Bank waived or agreed to waive any emolument paid by the Group during the Track Record Period. No emoluments were paid by the Group to the directors of the Bank as an incentive payment for joining the Group or as compensation for loss of office during the Track Record Period.

Discretionary bonus was determined with reference to the Group's operating results, individual performance and comparable market statistics for such financial year.

13 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, nil were directors or supervisors of the Group for the years ended December 31, 2014, 2015 and 2016 and six months ended June 30, 2016 (unaudited) and 2017 whose emoluments are disclosed in Note 12 above.

The emoluments of five individuals for the years ended December 31, 2014, 2015 and 2016 and six months ended June 30, 2016 (unaudited) and 2017 were as follows:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	775	1,204	1,416	787	618
Retirement benefits scheme contributions	293	314	345	159	162
Discretionary bonuses	6,914	7,213	6,243	534	3,625
	7,982	8,731	8,004	1,480	4,405

Their emoluments were within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	No. of employees	No. of employees	No. of employees	No. of employees	No. of employees
				(Unaudited)	
Nil – RMB500,000	—	—	—	5	—
RMB500,001-1,000,000	—	—	—	—	3
RMB1,000,001-1,500,000	3	4	3	—	2
RMB1,500,001-2,000,000	—	—	1	—	—
RMB2,000,001-2,500,000	2	—	—	—	—
RMB2,500,001-3,000,000	—	—	1	—	—
RMB3,000,001-3,500,000	—	1	—	—	—

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the Track Record Period.

14 IMPAIRMENT LOSSES ON ASSETS

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Impairment losses on:					
Held-to-maturity investments					
Charge for the year/period	18,708	—	3,771	—	—
Reverse for the year/period	—	(3)	—	—	(2,298)
	18,708	(3)	3,771	—	(2,298)
Other receivables, prepayments and repossessed assets					
Charge for the year/period	44,513	224	3,511	3,511	7,121
Reverse for the year/period	—	—	(1,077)	—	—
	44,513	224	2,434	3,511	7,121
Loans and advances to customers	564,856	1,486,518	1,336,198	809,989	491,667
Debt securities classified as receivables	309,877	233,563	1,161,944	625,397	—*
Interest receivables	—	250	—	—	—
Property and equipment	—	—	—	—	633
	937,954	1,720,552	2,504,347	1,438,897	497,123

Note:

* The balance represents an amount less than RMB1,000.

15 INCOME TAX EXPENSE

(a) Income tax:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax:					
—PRC Enterprise Income Tax	552,242	764,850	1,236,102	556,876	701,675
Under/(over) provision in prior years:					
—PRC Enterprise Income Tax	927	15,267	—	—	(10,885)
Deferred tax (Note 29)					
—Current year	(207,171)	(324,935)	(592,497)	(319,367)	(24,559)
—Attributable to change in tax rate	—	130	—	—	—
	(207,171)	(324,805)	(592,497)	(319,367)	(24,559)
	345,998	455,312	643,605	237,509	666,231

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25%. During the year ended December 31, 2015 and 2016 and six months ended June 30, 2016 and 2017, Pingliang Jingning Chengji Rural Bank Co., Ltd. ("平涼市靜寧成紀村鎮銀行股份有限公司") ("Jingning Chengji Rural Bank"), a subsidiary of the Bank, obtained approvals from tax authorities to adopt the preferential income tax rate of 15%.

15 INCOME TAX EXPENSE (Continued)

(b) The tax charge for the year can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before tax	1,408,585	1,753,709	2,564,609	954,322	2,712,063
Tax at domestic income tax rate of 25%	352,146	438,427	641,152	238,580	678,015
Tax effect of share of profit of an associate	(689)	(351)	(469)	(161)	(216)
Tax effect of expenses not deductible for tax purpose (Note a)	3,896	3,150	10,940	3,322	4,552
Tax effect of income that are not taxable for tax purpose (Note b)	(308)	(309)	(6,769)	(3,472)	(4,005)
Under/(over) provision in respect of prior years	927	15,267	—	—	(10,885)
Decrease in opening deferred tax assets resulting from an decrease in applicable tax rate	—	130	—	—	—
Income tax on concessionary rate	—	(1,002)	(1,249)	(760)	(1,230)
Others	(9,974)	—	—	—	—
Income tax expense	345,998	455,312	643,605	237,509	666,231

Notes:

(a) Expenses not deductible for tax purpose consists of a portion of expenditures, such as entertainment expenses and donations, which exceed the tax deduction limits in accordance with PRC tax regulation.

(b) Income not taxable for tax purpose consists of interest income from micro loans to farmers, which is exempted from income tax under the PRC tax regulation.

Details of the deferred taxation are set out in Note 29.

16 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Bank is based on the following data:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(Unaudited)	
Profit for the year/period attributable to owners of the Bank (RMB'000)	1,059,948	1,295,374	1,917,033	714,356	2,041,970
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	5,440,046	7,525,991	7,525,991	7,525,991	7,525,991

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the Track Record Period.

16 EARNINGS PER SHARE (Continued)

The weighted average number of ordinary shares in issue during the years ended December 31, 2014 and 2015 represents 5,440,046,000 ordinary shares and 7,525,991,000 ordinary shares in issue as if such shares were issued during the two years ended December 31, 2014 and 2015, respectively, after taking into account the capitalization issue as stated in note 42 as if the capitalization issue had been effective on January 1, 2014.

17 CASH AND DEPOSITS WITH THE CENTRAL BANK

The Group

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	403,507	423,087	519,973	441,643
Deposits with the central bank				
—Statutory deposit reserve (Notes a)	19,258,314	22,203,108	21,489,159	22,148,792
—Surplus deposit reserve (Notes b)	1,498,506	913,859	3,056,920	4,025,165
—Fiscal deposits	12,126	8,663	13,063	2,829
	20,768,946	23,125,630	24,559,142	26,176,786
	21,172,453	23,548,717	25,079,115	26,618,429

The Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	372,802	406,006	505,384	426,948
Deposits with the central bank				
—Statutory deposit reserve (Notes a)	19,187,660	22,153,354	21,432,092	22,072,610
—Surplus deposit reserve (Notes b)	1,491,130	897,592	2,978,452	4,013,675
—Fiscal deposits	12,126	8,663	13,063	2,829
	20,690,916	23,059,609	24,423,607	26,089,114
	21,063,718	23,465,615	24,928,991	26,516,062

Notes:

(a) The Group places statutory deposit reserves with the PBoC in accordance with relevant regulations. As of the end of each of the Track Record Period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	At December 31,			At June 30,
	2014	2015	2016	2017
Reserve ratio for RMB deposits	18%	15.5%	13.5%	13.5%

The statutory deposit reserves are restricted balances with central bank and are not available for the Bank's daily business. The subsidiary of the Bank is required to place statutory RMB deposits reserve at rates determined by the PBoC.

(b) The surplus deposit reserves are maintained with the PBoC for the purpose of cash settlement and other kinds of unrestricted deposits.

18 DEPOSITS WITH BANKS

Analyzed by type and location of counterparty

The Group

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At June 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits in Mainland China				
—Banks	19,366,833	26,527,123	24,568,254	42,720,261
Deposits outside Mainland China				
—Banks	60,890	46,642	3,621	54,633
	19,427,723	26,573,765	24,571,875	42,774,894

The Bank

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At June 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits in Mainland China				
—Banks	19,212,454	26,473,640	24,539,325	42,454,194
Deposits outside Mainland China				
—Banks	60,890	46,642	3,621	54,633
	19,273,344	26,520,282	24,542,946	42,508,827

19 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analyzed by type and location of counterparty

The Group and the Bank

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At June 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
In Mainland China				
—Banks	4,893,851	—	—	13,067,518
—Other financial institutions	—	—	498,086	2,681,696
	4,893,851	—	498,086	15,749,214

(b) Analyzed by type of security held

The Group and the Bank

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At June 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Debt securities				
—Government	—	—	—	11,197,909
—Banks and other financial institutions	—	—	498,086	4,551,305
Bank acceptances	4,893,851	—	—	—
	4,893,851	—	498,086	15,749,214

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Bank

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At June 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets held for trading (Note)	—	744,321	539,603	541,850

Note:

The Group and the Bank

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At June 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Debt securities issued by the following institutions in Mainland China:				
—Banks and other financial institutions	—	644,105	539,603	541,850
Asset-backed securities issued by the following institutions in Mainland China:				
—Banks and other financial institutions	—	100,216	—	—
	—	744,321	539,603	541,850
Analyzed as:				
Listed outside Hong Kong	—	744,321	539,603	541,850

As of the end of each of the Track Record Period, no debt securities and asset-backed securities held for trading were subject to material restrictions on the realization.

The above debt securities traded on the China Interbank Bond Market are included in "Listed outside Hong Kong".

21 INTERESTS RECEIVABLES

The Group

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At June 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Interests receivables arising from:				
—Investments	591,900	516,157	378,060	397,596
—Loans and advances to customers	123,986	193,999	242,223	450,695
—Financial assets held under resale agreements	—	—	107	6,401
—Deposits and placements with banks and other financial institutions	56,988	42,687	37,375	103,059
—Deposits with the central bank	9,805	10,648	11,188	10,253
	782,679	763,491	668,953	968,004

The Bank

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At June 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Interests receivables arising from:				
—Investments	591,900	516,157	378,060	397,595
—Loans and advances to customers	122,863	192,347	240,515	448,236
—Financial assets held under resale agreements	—	—	107	6,401
—Deposits and placements with banks and other financial institutions	55,528	42,685	37,321	103,059
—Deposits with the central bank	9,774	10,623	11,176	10,253
	780,065	761,812	667,179	965,544

22 LOANS AND ADVANCES TO CUSTOMERS

(a) Analyzed by nature

The Group

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At June 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers				
Corporate loans and advances	48,754,519	72,636,253	85,271,605	89,601,310
Personal loans and advances				
—Personal business loans	1,404,841	3,830,016	3,696,696	4,080,960
—Personal consumption loans	628,528	779,415	1,703,990	2,747,220
—Residential and commercial mortgage loans	515,247	1,226,508	2,501,194	3,718,059
	2,548,616	5,835,939	7,901,880	10,546,239
Discounted bills	5,192,403	12,154,507	14,681,595	18,022,357
	56,495,538	90,626,699	107,855,080	118,169,906
Less: Provision for impairment losses				
—Individually assessed	(76,798)	(312,669)	(709,990)	(778,981)
—Collectively assessed	(900,441)	(2,107,088)	(3,045,965)	(3,468,641)
	(977,239)	(2,419,757)	(3,755,955)	(4,247,622)
	55,518,299	88,206,942	104,099,125	113,922,284

The Bank

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At June 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers				
Corporate loans and advances	48,703,618	72,521,853	85,216,275	89,534,280
Personal loans and advances				
—Personal business loans	1,118,756	3,344,652	3,221,592	3,616,650
—Personal consumption loans	604,628	774,518	1,598,271	2,629,585
—Residential and commercial mortgage loans	512,454	1,214,056	2,484,101	3,686,327
	2,235,838	5,333,226	7,303,964	9,932,562
Discounted bills	5,192,403	12,154,507	14,681,595	18,022,357
	56,131,859	90,009,586	107,201,834	117,489,199
Less: Provision for impairment losses				
—Individually assessed	(75,475)	(305,053)	(700,300)	(769,541)
—Collectively assessed	(894,977)	(2,097,969)	(3,029,616)	(3,449,042)
	(970,452)	(2,403,022)	(3,729,916)	(4,218,583)
	55,161,407	87,606,564	103,471,918	113,270,616

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector

The Group

	At December 31, 2014		
	Amount	Percentage	Loans and advances secured by collaterals
	RMB'000		RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
—Manufacturing	8,911,450	15.77%	5,088,733
—Wholesale and retail	8,298,877	14.70%	3,930,595
—Construction	6,622,200	11.72%	3,523,200
—Real estate	4,331,500	7.67%	4,193,500
—Mining	3,998,500	7.08%	1,399,800
—Agriculture, forestry, animal husbandry and fishery	3,069,510	5.43%	1,365,990
—Leasing and business services	2,919,500	5.17%	1,918,000
—Water, environment and public facility management	2,593,000	4.59%	1,942,000
—Transportation, storage and postal services	2,448,080	4.33%	690,280
—Electricity, gas and water production and supply	1,322,280	2.34%	547,900
—Cultural, sports and entertainment	911,200	1.61%	887,200
—Accommodation and catering	890,500	1.58%	500,900
—Health and social services	867,300	1.54%	23,000
—Public administration, social security and social organizations	680,000	1.20%	30,000
—Education	493,980	0.87%	178,000
—Scientific research, technical services and geological prospecting	244,142	0.43%	114,141
—Resident and other services	96,500	0.17%	37,200
—Information transmission, computer services and software	56,000	0.10%	49,000
	48,754,519	86.30%	26,419,439
Personal loans and advances	2,548,616	4.51%	1,258,771
Discounted bills	5,192,403	9.19%	—
	56,495,538	100.00%	27,678,210
Less: Provision for impairment losses			
—Individually assessed	(76,798)		
—Collectively assessed	(900,441)		
	(977,239)		
	55,518,299		

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

The Group (Continued)

	At December 31, 2015		
	Amount	Percentage	Loans and advances secured by collaterals
	RMB'000		RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
—Wholesale and retail	14,704,162	16.23%	7,716,421
—Manufacturing	10,971,331	12.11%	6,724,250
—Agriculture, forestry, animal husbandry and fishery	8,273,407	9.13%	2,993,120
—Real estate	8,055,656	8.89%	6,680,906
—Construction	7,679,999	8.47%	4,585,059
—Mining	5,320,430	5.87%	1,773,030
—Leasing and business services	4,413,203	4.87%	2,236,203
—Water, environment and public facility management	4,218,000	4.65%	1,987,000
—Transportation, storage and postal services	2,334,510	2.58%	1,361,410
—Cultural, sports and entertainment	1,955,772	2.16%	1,668,300
—Electricity, gas and water production and supply	1,651,710	1.82%	689,800
—Accommodation and catering	999,470	1.10%	742,240
—Education	606,850	0.67%	187,000
—Public administration, social security and social organizations	563,000	0.62%	—
—Health and social services	426,553	0.47%	24,160
—Resident and other services	236,450	0.26%	139,950
—Scientific research, technical services and geological prospecting	128,000	0.14%	13,000
—Information transmission, computer services and software	97,750	0.11%	51,750
	72,636,253	80.15%	39,573,599
Personal loans and advances	5,835,939	6.44%	2,940,357
Discounted bills	12,154,507	13.41%	—
	90,626,699	100.00%	42,513,956
Less: Provision for impairment losses			
—Individually assessed	(312,669)		
—Collectively assessed	(2,107,088)		
	(2,419,757)		
	88,206,942		

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

The Group (Continued)

	At December 31, 2016		
	Amount	Percentage	Loans and advances secured by collaterals
	RMB'000		RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
—Wholesale and retail	14,972,665	13.88%	7,760,377
—Manufacturing	14,727,779	13.66%	6,812,690
—Agriculture, forestry, animal husbandry and fishery	14,226,347	13.19%	4,559,446
—Construction	9,248,944	8.58%	5,116,871
—Real estate	8,819,326	8.18%	6,883,576
—Mining	6,814,518	6.32%	1,639,851
—Water, environment and public facility management	3,797,131	3.52%	1,549,600
—Leasing and business services	3,278,800	3.04%	1,560,600
—Cultural, sports and entertainment	2,387,636	2.21%	2,121,300
—Transportation, storage and postal services	2,149,067	1.99%	1,162,687
—Electricity, gas and water production and supply	1,892,529	1.75%	964,112
—Education	1,120,555	1.04%	163,000
—Accommodation and catering	1,076,848	1.00%	805,673
—Health and social services	408,830	0.38%	11,500
—Resident and other services	199,230	0.18%	120,930
—Scientific research, technical services and geological prospecting	78,600	0.07%	49,600
—Information transmission, computer services and software	63,700	0.06%	18,050
—Public administration, social security and social organizations	8,500	0.01%	—
—Finance	600	0.00%	—
	85,271,605	79.06%	41,299,863
Personal loans and advances	7,901,880	7.33%	4,247,394
Discounted bills	14,681,595	13.61%	—
	107,855,080	100.00%	45,547,257
Less: Provision for impairment losses			
—Individually assessed	(709,990)		
—Collectively assessed	(3,045,965)		
	(3,755,955)		
	104,099,125		

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

The Group (Continued)

	At June 30, 2017		
	Amount	Percentage	Loans and advances secured by collaterals
	RMB'000		RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
—Wholesale and retail	16,079,241	13.62%	7,712,094
—Manufacturing	15,083,271	12.76%	7,280,977
—Agriculture, forestry, animal husbandry and fishery	14,656,274	12.40%	5,468,692
—Construction	11,497,084	9.73%	6,686,816
—Real estate	9,804,870	8.30%	8,050,522
—Mining	6,360,000	5.38%	1,926,133
—Water, environment and public facility management	4,106,101	3.47%	1,625,200
—Cultural, sports and entertainment	2,506,687	2.12%	1,856,363
—Leasing and business services	2,157,626	1.83%	1,630,146
—Electricity, gas and water production and supply	1,987,579	1.68%	778,812
—Transportation, storage and postal services	1,738,560	1.47%	748,880
—Education	1,187,002	1.00%	228,200
—Accommodation and catering	1,137,300	0.96%	681,767
—Finance	600,000	0.51%	—
—Health and social services	266,830	0.23%	20,900
—Resident and other services	249,080	0.21%	149,780
—Scientific research, technical services and geological prospecting	83,405	0.07%	56,535
—Information transmission, computer services and software	75,400	0.06%	29,500
—Public administration, social security and social organizations	25,000	0.02%	—
	89,601,310	75.82%	44,931,317
Personal loans and advances	10,546,239	8.92%	5,392,725
Discounted bills	18,022,357	15.26%	—
	118,169,906	100.00%	50,324,042
Less: Provision for impairment losses			
—Individually assessed	(778,981)		
—Collectively assessed	(3,468,641)		
	(4,247,622)		
	113,922,284		

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

The Bank

	At December 31, 2014		
	Amount	Percentage	Loans and advances secured by collaterals
	RMB'000		RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
—Manufacturing	8,898,850	15.86%	5,083,733
—Wholesale and retail	8,288,877	14.78%	3,930,595
—Construction	6,620,700	11.79%	3,521,700
—Real estate	4,331,500	7.72%	4,193,500
—Mining	3,998,500	7.12%	1,399,800
—Agriculture, forestry, animal husbandry and fishery	3,067,010	5.46%	1,363,490
—Leasing and business services	2,919,500	5.20%	1,918,000
—Water, environment and public facility management	2,593,000	4.62%	1,942,000
—Transportation, storage and postal services	2,436,380	4.34%	690,280
—Electricity, gas and water production and supply	1,322,280	2.36%	547,900
—Cultural, sports and entertainment	911,200	1.62%	887,200
—Accommodation and catering	890,500	1.59%	500,900
—Health and social services	854,700	1.52%	15,000
—Public administration, social security and social organizations	680,000	1.21%	30,000
—Education	493,980	0.88%	178,000
—Scientific research, technical services and geological prospecting	244,141	0.43%	114,141
—Resident and other services	96,500	0.17%	37,200
—Information transmission, computer services and software	56,000	0.10%	49,000
	48,703,618	86.77%	26,402,439
Personal loans and advances	2,235,838	3.98%	1,134,034
Discounted bills	5,192,403	9.25%	—
	56,131,859	100.00%	27,536,473
Less: Provision for impairment losses			
—Individually assessed	(75,475)		
—Collectively assessed	(894,977)		
	(970,452)		
	55,161,407		

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

The Bank (Continued)

	At December 31, 2015		
	Amount	Percentage	Loans and advances secured by collaterals
	RMB'000		RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
—Wholesale and retail	14,676,962	16.30%	7,700,221
—Manufacturing	10,935,331	12.15%	6,707,250
—Agriculture, forestry, animal husbandry and fishery	8,261,307	9.18%	2,986,020
—Real estate	8,044,656	8.94%	6,670,906
—Construction	7,669,999	8.52%	4,585,059
—Mining	5,320,432	5.91%	1,773,030
—Leasing and business services	4,413,203	4.90%	2,236,203
—Water, environment and public facility management	4,218,000	4.69%	1,987,000
—Transportation, storage and postal services	2,329,510	2.59%	1,361,410
—Cultural, sports and entertainment	1,955,270	2.17%	1,668,300
—Electricity, gas and water production and supply	1,651,710	1.84%	689,800
—Accommodation and catering	999,470	1.11%	742,240
—Education	606,850	0.67%	187,000
—Public administration, social security and social organizations	563,000	0.63%	—
—Health and social services	413,953	0.46%	24,160
—Resident and other services	236,450	0.26%	139,950
—Scientific research, technical services and geological prospecting	128,000	0.14%	13,000
—Information transmission, computer services and software	97,750	0.11%	51,750
	72,521,853	80.57%	39,523,299
Personal loans and advances	5,333,226	5.93%	2,725,672
Discounted bills	12,154,507	13.50%	—
	90,009,586	100.00%	42,248,971
Less: Provision for impairment losses			
—Individually assessed	(305,053)		
—Collectively assessed	(2,097,969)		
	(2,403,022)		
	87,606,564		

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

The Bank (Continued)

	At December 31, 2016		
	Amount	Percentage	Loans and advances secured by collaterals
	RMB'000		RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
—Wholesale and retail	14,971,485	14.55%	7,759,197
—Manufacturing	14,717,880	13.92%	6,802,790
—Agriculture, forestry, animal husbandry and fishery	14,221,347	13.63%	4,554,446
—Construction	9,248,944	8.62%	5,116,871
—Real estate	8,814,326	8.22%	6,878,576
—Mining	6,814,518	6.36%	1,639,851
—Water, environment and public facility management	3,797,131	3.06%	1,549,600
—Leasing and business services	3,278,800	2.64%	1,560,600
—Cultural, sports and entertainment	2,386,966	2.23%	2,121,300
—Transportation, storage and postal services	2,144,067	1.91%	1,157,687
—Electricity, gas and water production and supply	1,892,529	1.77%	964,112
—Education	1,120,555	1.05%	163,000
—Accommodation and catering	1,076,848	0.84%	805,673
—Health and social services	381,250	0.36%	11,500
—Residential and other services	199,230	0.19%	120,930
—Scientific research, technical services and geological prospecting	77,600	0.07%	48,600
—Information transmission, computer services and software	63,700	0.06%	18,050
—Public administration, social security and social organizations	8,500	0.01%	—
—Finance	599	0.00%	—
	85,216,275	79.49%	41,272,783
Personal loans and advances	7,303,964	6.81%	3,929,899
Discounted bills	14,681,595	13.70%	—
	107,201,834	100.00%	45,202,682
Less: Provision for impairment losses			
—Individually assessed	(700,300)		
—Collectively assessed	(3,029,616)		
	(3,729,916)		
	103,471,918		

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

The Bank (Continued)

	At June 30, 2017		
	Amount	Percentage	Loans and advances secured by collaterals
	RMB'000		RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
—Wholesale and retail	16,078,091	13.69%	7,710,944
—Manufacturing	15,075,671	12.84%	7,273,377
—Agriculture, forestry, animal husbandry and fishery	14,651,274	12.48%	5,463,692
—Construction	11,483,084	9.77%	6,672,816
—Real estate	9,804,870	8.35%	8,050,522
—Mining	6,360,000	5.41%	1,926,133
—Water, environment and public facility management	4,106,101	3.49%	1,625,200
—Cultural, sports and entertainment	2,505,987	2.13%	1,856,363
—Leasing and business services	2,157,626	1.84%	1,630,146
—Electricity, gas and water production and supply	1,987,579	1.69%	778,812
—Transportation, storage and postal services	1,728,560	1.47%	738,880
—Education	1,187,002	1.01%	228,200
—Accommodation and catering	1,137,300	0.97%	681,767
—Finance	600,000	0.51%	—
—Resident and other services	249,080	0.21%	149,780
—Health and social services	239,250	0.20%	20,900
—Scientific research, technical services and geological prospecting	82,405	0.07%	55,535
—Information transmission, computer services and software	75,400	0.06%	29,500
—Public administration, social security and social organizations	25,000	0.02%	—
	89,534,280	76.21%	44,892,567
Personal loans and advances	9,932,562	8.45%	5,057,067
Discounted bills	18,022,357	15.34%	—
	117,489,199	100.00%	49,949,634
Less: Provision for impairment losses			
—Individually assessed	(769,541)		
—Collectively assessed	(3,449,042)		
	(4,218,583)		
	113,270,616		

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

As of the end of each of the Track Record Period, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

The Group

	At December 31, 2014				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
—Manufacturing	51,150	36,395	137,844	89,220	—
—Wholesale and retail	56,068	13,641	135,626	86,294	—
—Construction	—	—	99,333	58,829	—

	At December 31, 2015				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
—Wholesale and retail	989,576	123,688	609,420	583,841	—
—Manufacturing	244,949	122,201	200,170	148,132	(44,000)

	At December 31, 2016				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
—Wholesale and retail	661,875	251,306	534,282	51,904	—
—Manufacturing	482,800	238,714	388,539	302,900	—
—Agriculture, forestry, animal husbandry and fishery	223,816	55,116	398,927	282,053	—

	At June 30, 2017				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the period	Written-off during the period
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
—Wholesale and retail	616,738	291,017	562,463	67,892	—
—Manufacturing	519,070	269,361	471,511	116,491	—
—Agriculture, forestry, animal husbandry and fishery	343,018	99,526	481,064	112,207	—

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analyzed by industry sector (Continued)

The Bank

	At December 31, 2014				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
—Manufacturing	51,150	36,395	137,655	89,357	—
—Wholesale and retail	56,068	13,641	135,476	86,144	—
—Construction	—	—	99,311	58,806	—

	At December 31, 2015				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
—Wholesale and retail	986,576	123,056	609,057	582,996	—
—Manufacturing	244,949	122,201	199,630	147,781	(44,000)

	At December 31, 2016				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the year	Written-off during the year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
—Wholesale and retail	661,875	251,306	534,197	52,814	—
—Manufacturing	482,800	238,714	385,325	302,227	—
—Agriculture, forestry, animal husbandry and fishery	223,816	55,116	398,819	281,127	—

	At June 30, 2017				
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses	Impairment charged during the period	Written-off during the period
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
—Wholesale and retail	616,738	291,017	562,438	67,952	—
—Manufacturing	519,070	269,361	471,348	116,542	—
—Agriculture, forestry, animal husbandry and fishery	343,018	99,526	480,957	110,208	—

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Analyzed by type of collateral

The Group

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers				
Unsecured loans	566,352	5,778,610	11,288,735	10,461,440
Guaranteed loans	23,375,803	35,614,469	42,583,035	48,323,180
Collateralized loans	27,585,531	42,513,956	45,547,256	50,324,042
Pledged loans	4,967,852	6,719,664	8,436,054	9,061,244
	56,495,538	90,626,699	107,855,080	118,169,906
Less: Provision for impairment losses	(977,239)	(2,419,757)	(3,755,955)	(4,247,622)
	55,518,299	88,206,942	104,099,125	113,922,284

The Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers				
Unsecured loans	563,958	5,776,498	11,277,893	10,444,964
Guaranteed loans	23,185,497	35,289,757	42,314,337	48,061,848
Collateralized loans	27,443,794	42,248,972	45,202,681	49,949,634
Pledged loans	4,938,610	6,694,359	8,406,923	9,032,753
	56,131,859	90,009,586	107,201,834	117,489,199
Less: Provision for impairment losses	(970,452)	(2,403,022)	(3,729,916)	(4,218,583)
	55,161,407	87,606,564	103,471,918	113,270,616

(d) Overdue loans analyzed by overdue period

The Group

	At December 31, 2014				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	262	—	—	—	262
Guaranteed loans	353,224	36,825	29,406	2,865	422,320
Collateralized loans	23,818	18,089	35,626	12,330	89,863
Pledged loans	1,550	—	250	—	1,800
	378,854	54,914	65,282	15,195	514,245
As a percentage of gross loans and advances to customers	0.67%	0.10%	0.12%	0.03%	0.92%

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Overdue loans analyzed by overdue period (Continued)

The Group (Continued)

	At December 31, 2015				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	1,156	49	80	—	1,285
Guaranteed loans	357,122	581,769	334,914	5,121	1,278,926
Collateralized loans	1,328,693	738,516	18,246	2,150	2,087,605
Pledged loans	231,791	114,945	—	250	346,986
	1,918,762	1,435,279	353,240	7,521	3,714,802
As a percentage of gross loans and advances to customers	2.12%	1.59%	0.39%	0.01%	4.11%

	At December 31, 2016				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	3,028	3,684	872	—	7,584
Guaranteed loans	152,459	494,548	209,866	27,821	884,694
Collateralized loans	218,340	645,857	323,886	6,358	1,194,441
Pledged loans	16,867	100,947	58,961	250	177,025
	390,694	1,245,036	593,585	34,429	2,263,744
As a percentage of gross loans and advances to customers	0.36%	1.15%	0.55%	0.03%	2.09%

	At June 30, 2017				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	44,721	2,368	3,574	—	50,663
Guaranteed loans	311,868	450,137	306,356	29,070	1,097,431
Collateralized loans	604,986	822,689	539,169	7,423	1,974,267
Pledged loans	482,852	167,722	80,855	250	731,679
	1,444,427	1,442,916	929,954	36,743	3,854,040
As a percentage of gross loans and advances to customers	1.22%	1.22%	0.79%	0.03%	3.26%

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Overdue loans analyzed by overdue period (Continued)

The Bank

	At December 31, 2014				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	257	—	—	—	257
Guaranteed loans	349,473	36,516	28,779	—	414,768
Collateralized loans	22,393	17,640	35,533	2,728	78,294
Pledged loans	1,550	—	250	12,182	13,982
	373,673	54,156	64,562	14,910	507,301
As a percentage of gross loans and advances to customers	0.67%	0.09%	0.12%	0.03%	0.91%

	At December 31, 2015				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	1,155	49	80	—	1,284
Guaranteed loans	344,442	576,759	334,291	4,718	1,260,210
Collateralized loans	1,328,117	726,126	18,155	2,004	2,074,402
Pledged loans	231,791	114,945	—	250	346,986
	1,905,505	1,417,879	352,526	6,972	3,682,882
As a percentage of gross loans and advances to customers	2.12%	1.58%	0.39%	0.01%	4.10%

	At December 31, 2016				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	3,028	3,684	872	—	7,584
Guaranteed loans	151,431	486,132	207,446	27,303	872,312
Collateralized loans	212,160	645,049	321,616	6,144	1,184,969
Pledged loans	16,867	100,947	58,961	250	177,025
	383,486	1,235,812	588,895	33,697	2,241,890
As a percentage of gross loans and advances to customers	0.36%	1.15%	0.55%	0.03%	2.09%

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Overdue loans analyzed by overdue period (Continued)

The Bank (Continued)

	At June 30, 2017				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	44,721	2,368	3,574	—	50,663
Guaranteed loans	309,384	448,421	300,998	28,533	1,087,336
Collateralized loans	604,586	822,689	536,442	7,208	1,970,925
Pledged loans	482,852	167,722	80,855	250	731,679
	1,441,543	1,441,200	921,869	35,991	3,840,603
As a percentage of gross loans and advances to customers	1.23%	1.23%	0.78%	0.03%	3.27%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

(e) Loans and advances and provision for impairment losses

The Group

	At December 31, 2014					
	Loans and advances for which provision are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))				Gross impaired loans and advances as a percentage of gross loans and advances
		For which provision are collectively assessed	For which provision are individually assessed	Subtotal	Total	
	RMB'000	RMB'000	RMB'000		RMB'000	
Gross loans and advances to customers	56,277,806	92,968	124,764	217,732	56,495,538	0.39%
Less: Provision for impairment losses	(854,935)	(45,506)	(76,798)	(122,304)	(977,239)	
	55,422,871	47,462	47,966	95,428	55,518,299	

	At December 31, 2015					
	Loans and advances for which provision are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))				Gross impaired loans and advances as a percentage of gross loans and advances
		For which provision are collectively assessed	For which provision are individually assessed	Subtotal	Total	
	RMB'000	RMB'000	RMB'000		RMB'000	
Gross loans and advances to customers	89,023,546	925,106	678,047	1,603,153	90,626,699	1.77%
Less: Provision for impairment losses	(1,631,232)	(475,856)	(312,669)	(788,525)	(2,419,757)	
	87,392,314	449,250	365,378	814,628	88,206,942	

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses (Continued)

The Group (Continued)

	At December 31, 2016					
	Loans and advances for which provision are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))			Total	Gross impaired loans and advances as a percentage of gross loans and advances
		For which provision are collectively assessed	For which provision are individually assessed	Subtotal		
	RMB'000	RMB'000	RMB'000		RMB'000	
Gross loans and advances to customers	105,906,204	699,815	1,249,061	1,948,876	107,855,080	1.81%
Less: Provision for impairment losses	(2,629,381)	(416,584)	(709,990)	(1,126,574)	(3,755,955)	
	103,276,823	283,231	539,071	822,302	104,099,125	

	At June 30, 2017					
	Loans and advances for which provision are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))			Total	Gross impaired loans and advances as a percentage of gross loans and advances
		For which provision are collectively assessed	For which provision are individually assessed	Subtotal		
	RMB'000	RMB'000	RMB'000		RMB'000	
Gross loans and advances to customers	116,241,746	775,550	1,152,610	1,928,160	118,169,906	1.63%
Less: Provision for impairment losses	(2,979,693)	(488,948)	(778,981)	(1,267,929)	(4,247,622)	
	113,262,053	286,602	373,629	660,231	113,922,284	

The Bank

	At December 31, 2014					
	Loans and advances for which provision are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))			Total	Gross impaired loans and advances as a percentage of gross loans and advances
		For which provision are collectively assessed	For which provision are individually assessed	Subtotal		
	RMB'000	RMB'000	RMB'000		RMB'000	
Gross loans and advances to customers	55,915,891	92,968	123,000	215,968	56,131,859	0.38%
Less: Provision for impairment losses	(849,471)	(45,506)	(75,475)	(120,981)	(970,452)	
	55,066,420	47,462	47,525	94,987	55,161,407	

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses (Continued)

The Bank (Continued)

	At December 31, 2015					
	Loans and advances for which provision are collectively assessed (Note (i))	Impaired loans and advances (Note (ii)) For which provision are collectively assessed	Impaired loans and advances (Note (ii)) For which provision are individually assessed	Impaired loans and advances (Note (ii)) Subtotal	Total	Gross impaired loans and advances as a percentage of gross loans and advances
	RMB'000	RMB'000	RMB'000		RMB'000	
Gross loans and advances to customers	88,425,095	925,106	659,385	1,584,491	90,009,586	1.76%
Less: Provision for impairment losses	(1,622,113)	(475,856)	(305,053)	(780,909)	(2,403,022)	
	86,802,982	449,250	354,332	803,582	87,606,564	

	At December 31, 2016					
	Loans and advances for which provision are collectively assessed (Note (i))	Impaired loans and advances (Note (ii)) For which provision are collectively assessed	Impaired loans and advances (Note (ii)) For which provision are individually assessed	Impaired loans and advances (Note (ii)) Subtotal	Total	Gross impaired loans and advances as a percentage of gross loans and advances
	RMB'000	RMB'000	RMB'000		RMB'000	
Gross loans and advances to customers	105,267,706	699,815	1,234,313	1,934,128	107,201,834	1.80%
Less: Provision for impairment losses	(2,613,032)	(416,584)	(700,300)	(1,116,884)	(3,729,916)	
	102,654,674	283,231	534,013	817,244	103,471,918	

	At June 30, 2017					
	Loans and advances for which provision are collectively assessed (Note (i))	Impaired loans and advances (Note (ii)) For which provision are collectively assessed	Impaired loans and advances (Note (ii)) For which provision are individually assessed	Impaired loans and advances (Note (ii)) Subtotal	Total	Gross impaired loans and advances as a percentage of gross loans and advances
	RMB'000	RMB'000	RMB'000		RMB'000	
Gross loans and advances to customers	115,578,083	772,501	1,138,615	1,911,116	117,489,199	1.63%
Less: Provision for impairment losses	(2,962,709)	(486,333)	(769,541)	(1,255,874)	(4,218,583)	
	112,615,374	286,168	369,074	655,242	113,270,616	

Notes:

(i) Loans and advances collectively assessed for impairment bear relatively insignificant impairment losses as a proportion of the total portfolio. These loans and advances include those which are graded normal or special-mention.

(ii) Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the individually assessment methods.

(iii) The definitions of the loan classifications, stated in Notes (i) and (ii) above, are set out in Note 50.

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements of provision for impairment losses

The Group

	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2014	347,007	65,376	412,383
Impairment losses recognized:			
Charge for the year	553,434	11,422	564,856
At December 31, 2014	900,441	76,798	977,239
Impairment losses recognized			
Charge for the year	1,206,647	279,871	1,486,518
Amounts written off as uncollectible	–	(44,000)	(44,000)
At December 31, 2015	2,107,088	312,669	2,419,757
Impairment losses recognized			
Charge for the year	938,877	397,321	1,336,198
At December 31, 2016	3,045,965	709,990	3,755,955
Impairment losses recognized			
Charge for the period	422,676	68,991	491,667
At June 30, 2017	3,468,641	778,981	4,247,622

The Bank

	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2014	343,816	64,918	408,734
Impairment losses recognized			
Charge for the year	551,161	10,557	561,718
At December 31, 2014	894,977	75,475	970,452
Impairment losses recognized			
Charge for the year	1,202,992	273,578	1,476,570
Amounts written off as uncollectible	–	(44,000)	(44,000)
At December 31, 2015	2,097,969	305,053	2,403,022
Impairment losses recognized			
Charge for the year	931,647	395,247	1,326,894
At December 31, 2016	3,029,616	700,300	3,729,916
Impairment losses recognized			
Charge for the period	419,426	69,241	488,667
At June 30, 2017	3,449,042	769,541	4,218,583

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(g) Analyzed by geographical sector

Geographically, the Group and the Bank mainly conduct their businesses and all of their customers and assets are located in Gansu Province of the PRC.

(h) As of the end of each Track Record Period, part of the discounted bills were pledged as security for repurchase agreement (Note 31(a)).

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group and the Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale debt investments (Notes a)	12,234,728	5,254,263	6,189,558	10,278,468
Available-for-sale equity investment (Notes b)	10,000	10,000	10,000	10,000
	12,244,728	5,264,263	6,199,558	10,288,468
Analyzed as:				
Listed outside Hong Kong	—	1,417,291	3,011,221	5,125,911
Unlisted outside Hong Kong	12,244,728	3,846,972	3,188,337	5,162,557
	12,244,728	5,264,263	6,199,558	10,288,468

Notes:

(a)

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Debt securities issued by the following institutions in Mainland China				
—Government	—	334,807	1,469,668	2,440,231
—Banks and other financial institutions	—	1,082,484	1,541,553	2,565,601
	—	1,417,291	3,011,221	5,005,832
Asset-backed securities issued by the following institutions in Mainland China:				
—Banks and other financial institutions	—	—	—	1,059,000
Trust plans	—	10,000	35,000	838,149
Asset management plans	9,830,957	3,719,211	2,642,358	2,863,466
Wealth management products issued by other financial institutions	2,403,771	107,761	104,555	112,825
Investment funds	—	—	396,424	399,196
	12,234,728	5,254,263	6,189,558	10,278,468

All available-for-sale debt investments were stated at fair value.

The above debt securities traded on the China Interbank Bond Market are included in "Listed outside Hong Kong".

As of the end of each of the Track Record Period, part of the available-for-sale financial assets was pledged for repurchase agreements. Details are disclosed in Note 31 (a).

(b) Available-for-sale equity investment

Available-for-sale unlisted equity investment which does not have any quoted market prices and whose fair value cannot be measured reliably is stated at cost less impairment losses, if any.

24 HELD-TO-MATURITY INVESTMENTS

Analyzed by type and location of issuers:

The Group and the Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying value				
Debt securities issued by the following institutions in Mainland China				
—Government	—	—	1,902,487	2,110,876
—Banks and other financial institutions	—	2,748,733	2,599,507	2,706,433
—Corporations	1,870,815	1,870,515	2,001,577	1,769,691
	1,870,815	4,619,248	6,503,571	6,587,000
Asset-based securities issued by the following institutions in Mainland China				
—Banks and other financial institutions	—	—	248,000	248,000
	1,870,815	4,619,248	6,751,571	6,835,000
Less: Provision for impairment losses	(18,708)	(18,705)	(22,476)	(20,178)
	1,852,107	4,600,543	6,729,095	6,814,822
Analyzed as:				
Listed outside Hong Kong	1,852,107	4,600,543	6,729,095	6,814,822
Fair value	1,891,274	4,710,750	6,821,969	6,822,086

(a) All held-to-maturity investments are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".

(b) As of the end of each of the Track Record Period, part of the held-to-maturity investments were pledged as security for repurchase agreement (Note 31(a)).

(c) Movements of allowance for impairment losses

	Collective assessed allowance
	RMB'000
At January 1, 2014	–
Impairment losses recognized	18,708
At December 31, 2014	18,708
Impairment losses reversed	(3)
At December 31, 2015	18,705
Impairment losses recognized	3,771
At December 31, 2016	22,476
Impairment losses reversed	(2,298)
At June 30, 2017	20,178

25 DEBT SECURITIES CLASSIFIED AS RECEIVABLES

The Group and the Bank

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At June 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Debt securities issued by the following institutions in Mainland China:				
—Corporations	—	—	30,000	30,000
Trust plans	19,570,090	17,374,990	21,570,500	10,496,800
Asset management plans	28,828,507	43,579,869	53,926,932	38,929,124
	48,398,597	60,954,859	75,527,432	49,455,924
Less: Provision for impairment losses	(483,986)	(717,549)	(1,879,493)	(1,879,493)
	47,914,611	60,237,310	73,647,939	47,576,431
Analyzed as:				
Unlisted outside Hong Kong	47,914,611	60,237,310	73,647,939	47,576,431

Notes:

(i) The carrying value of debt securities classified as receivables approximates to their fair value.

(ii) Trust plans and asset management plans were purchased from trust companies and asset management companies, with no active market quotes. At December 31, 2014, 2015 and 2016 and June 30, 2017, the definite period lengths are 3 months to 5 years, 1 week to 5 years, 1 week to 5 years and 1 week to 5 years, respectively.

Movements of allowance for impairment losses

The Group and the Bank

	Collective assessed allowance
	RMB'000
At January 1, 2014	174,109
Impairment losses recognized	309,877
At December 31, 2014	483,986
Impairment losses recognized	233,563
At December 31, 2015	717,549
Impairment losses recognized	1,161,944
At December 31, 2016	1,879,493
Impairment losses recognized	—*
At June 30, 2017	1,879,493

* The balance represents an amount less than RMB1,000.

26 INTEREST IN AN ASSOCIATE

The Group and the Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investment in an associate, unlisted	3,000	3,000	3,000	3,000
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,503	3,594	5,132	5,997
	5,503	6,594	8,132	8,997

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the Group had interests in the following associate:

Name of the bank	Form of entity	Country of establishment operation	Class of shares held	Proportion of ownerships interests or participating shares held by the Group				Proportion of voting power held				Principal activity
				At December 31,			At June 30,	At December 31,			At June 30,	
				2014	2015	2016	2017	2014	2015	2016	2017	
Gansu Jingchuan	Established	PRC	Ordinary share	16.67%	16.67%	16.67%	16.67%	16.67%	16.67%	16.67%	16.67%	Corporate and retail bank

Note: This associate is directly held by the Bank. The Group is able to exercise significant influence in deciding the financial and operating policies over Gansu Jingchuan because it has the power to appoint a director of that company under the provisions stated in the Article of Association of Gansu Jingchuan.

The financial information and carrying amount, in aggregate, of the Group's interest in an associate that is not material and is accounted for using the equity method are set out below:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
The Group's share of profit and total comprehensive income for the year/period	2,755	1,404	1,877	645	865

	At December 31,			At June 30, 2017
	2014	2015	2016	
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of the Group's interests in the immaterial associate	5,503	6,594	8,132	8,997

27 INVESTMENT IN A SUBSIDIARY

The Bank

	At December 31,			At June 30, 2017
	2014	2015	2016	
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	29,250	29,250	29,250	29,250

27 INVESTMENT IN A SUBSIDIARY (Continued)

The Bank (Continued)

Details of the Bank's subsidiary as of December 31, 2014, 2015 and 2016 and June 30, 2017 is as follows:

Name of subsidiary	Establishment date	Place of establishment/ operation	Registered and fully paid capital (RMB'000)				Proportion of ownership interest held by the Bank				Proportion of voting power held by the Bank				Principal activity	Auditors/ Generally Accepted Accounting Principles ("GAAP")
			At December 31,			At June 30,	At December 31,			At June 30,	December 31,			At June 30,		
			2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017		
Jingning Chengji Rural Bank	September 18, 2008	PRC	40,250	40,250	40,250	40,250	62.73%	62.73%	62.73%	62.73%	62.73%	62.73%	62.73%	62.73%	Corporate and retail banking	Gansu Yinhe Certified Public Accountants ("甘肅銀河會計師事務所")/ PRC GAAP

The subsidiary is directly held by the Bank and has no material non-controlling interests to the Group.

28 PROPERTY AND EQUIPMENT

The Group

	Construction in progress	Premises	Electronic equipment	Motor vehicles	Leasehold improvement	Computer software	Office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost								
At January 1, 2014	3,226	253,837	73,715	27,453	26,098	19,849	9,076	413,254
Additions	13,354	45,896	56,307	16,795	80,487	14,603	20,750	248,192
Transfers (out)/in of construction in progress	(2,222)	2,222	—	—	—	—	—	—
Transfer from deposits paid for acquisitions of premises	—	81,231	—	—	—	—	—	81,231
Disposals	—	—	(804)	—	—	—	—	(804)
At December 31, 2014	14,358	383,186	129,218	44,248	106,585	34,452	29,826	741,873
Additions	6,353	3,413	71,701	3,083	97,851	16,503	12,323	211,227
Transfers (out)/in of construction in progress	(9,409)	3,664	—	—	5,745	—	—	—
Disposals	—	(1,313)	(277)	(1,428)	—	—	—	(3,018)
At December 31, 2015	11,302	388,950	200,642	45,903	210,181	50,955	42,149	950,082
Additions	111,129	258,591	63,935	1,163	2,122	13,356	17,108	467,404
Transfers (out)/in of construction in progress	(61,254)	50,009	9,650	—	1,595	—	—	—
Transfer from deposits paid for acquisitions of premises	—	366,500	—	—	—	—	—	366,500
Disposals	—	—	—	(738)	—	—	—	(738)
At December 31, 2016	61,177	1,064,050	274,227	46,328	213,898	64,311	59,257	1,783,248
Additions	36,720	42	19,002	2,388	14,383	6,093	28,953	107,581
Transfers (out)/in of construction in progress	(4,853)	4,853	—	—	—	—	—	—
Disposals	—	(4,588)	(29,667)	(1,768)	—	(3,998)	(12,613)	(52,634)
At June 30, 2017	93,044	1,064,357	263,562	46,948	228,281	66,406	75,597	1,838,195

28 PROPERTY AND EQUIPMENT (Continued)

The Group (Continued)

	Construction in progress	Premises	Electronic equipment	Motor vehicles	Leasehold improvement	Computer software	Office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation and impairment								
At January 1, 2014	—	44,241	16,872	7,638	1,712	5,375	3,192	79,030
Provided for the year	—	16,537	16,431	6,209	4,095	4,679	4,191	52,142
Eliminated on disposals	—	—	(782)	—	—	—	—	(782)
At December 31, 2014	—	60,778	32,521	13,847	5,807	10,054	7,383	130,390
Provided for the year	—	15,664	27,347	8,601	21,453	7,012	8,629	88,706
Eliminated on disposals	—	(1,072)	(260)	(1,186)	—	—	—	(2,518)
At December 31, 2015	—	75,370	59,608	21,262	27,260	17,066	16,012	216,578
Provided for the year	—	19,126	73,532	9,070	17,177	10,147	9,838	138,890
Eliminated on disposals	—	—	—	(489)	—	—	—	(489)
At December 31, 2016	—	94,496	133,140	29,843	44,437	27,213	25,850	354,979
Provided for the period	—	31,232	23,523	4,249	23,716	9,606	15,883	108,209
Impairment loss recognized		633	—	—	—	—	—	633
Eliminated on disposals	—	(3,299)	(3,307)	(1,135)	—	(1,001)	(1,110)	(9,852)
At June 30, 2017	—	123,062	153,356	32,957	68,153	35,818	40,623	453,969
Carrying value								
At December 31, 2014	14,358	322,408	96,697	30,401	100,778	24,398	22,443	611,483
At December 31, 2015	11,302	313,580	141,034	24,641	182,921	33,889	26,137	733,504
At December 31, 2016	61,177	969,554	141,087	16,485	169,461	37,098	33,407	1,428,269
At June 30, 2017	93,044	941,295	110,206	13,991	160,128	30,588	34,974	1,384,226

28 PROPERTY AND EQUIPMENT (Continued)

The Bank

	Construction in progress	Premises	Electronic equipment	Motor vehicles	Leasehold improvement	Computer software	Office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost								
At January 1, 2014	3,226	244,647	72,231	26,644	26,098	19,849	9,032	401,727
Additions	13,354	45,596	55,574	16,795	80,487	14,590	20,750	247,146
Transfers in/(out) of construction in progress	(2,222)	2,222	—	—	—	—	—	—
Transfer from deposits paid for acquisitions of premises	—	81,231	—	—	—	—	—	81,231
Disposals	—	—	(804)	—	—	—	—	(804)
At December 31, 2014	14,358	373,696	127,001	43,439	106,585	34,439	29,782	729,300
Additions	6,353	3,411	69,827	3,083	97,851	16,503	12,219	209,247
Transfers in/(out) of construction in progress	(9,409)	3,664	—	—	5,745	—	—	—
Disposals	—	(1,301)	(277)	(1,428)	—	—	—	(3,006)
At December 31, 2015	11,302	379,470	196,551	45,094	210,181	50,942	42,001	935,541
Additions	111,129	258,591	63,523	906	2,122	13,356	17,108	466,735
Transfers in/(out) of construction in progress	(61,254)	50,009	9,650	—	1,595	—	—	—
Transfer from deposits paid for acquisitions of premises	—	366,500	—	—	—	—	—	366,500
Disposals	—	—	—	(738)	—	—	—	(738)
At December 31, 2016	61,177	1,054,570	269,724	45,262	213,898	64,298	59,109	1,768,038
Additions	36,720	—	18,954	2,388	13,593	6,093	28,590	106,338
Transfers in/(out) of construction in progress	(4,853)	4,853	—	—	—	—	—	—
Disposals	—	(4,588)	(29,261)	(1,768)	—	(3,998)	(12,613)	(52,228)
At June 30, 2017	93,044	1,054,835	259,417	45,882	277,491	66,393	75,086	1,822,148

28 PROPERTY AND EQUIPMENT (Continued)

The Bank (Continued)

	Construction in progress	Premises	Electronic equipment	Motor vehicles	Leasehold improvement	Computer software	Office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation and impairment								
At January 1, 2014	—	43,664	16,477	7,473	1,712	5,375	3,170	77,871
Provided for the year	—	16,088	16,104	6,063	4,095	4,679	4,183	51,212
Eliminated on disposals	—	—	(782)	—	—		—	(782)
At December 31, 2014	—	59,752	31,799	13,536	5,807	10,054	7,353	128,301
Provided for the year	—	15,274	26,730	8,466	21,453	7,007	8,580	87,510
Eliminated on disposals	—	(1,072)	(260)	(1,186)	—	—	—	(2,518)
At December 31, 2015	—	73,954	58,269	20,816	27,260	17,061	15,933	213,293
Provided for the year	—	18,686	72,779	8,942	17,177	10,143	9,807	137,534
Eliminated on disposals	—	—	—	(489)	—	—	—	(489)
At December 31, 2016	—	92,640	131,048	29,269	44,437	27,204	25,740	350,338
Provided for the period	—	30,927	23,054	4,153	23,616	9,603	15,681	107,034
Impairment loss recognized		633	—	—	—	—	—	633
Eliminated on disposals	—	(3,299)	(3,135)	(1,135)	—	(1,001)	(1,110)	(9,680)
At June 30, 2017	—	120,901	150,967	32,287	68,053	35,806	40,311	448,325
Carrying value								
At December 31, 2014	14,358	313,944	95,202	29,903	100,778	24,385	22,429	600,999
At December 31, 2015	11,302	305,516	138,282	24,278	182,921	33,881	26,068	722,248
At December 31, 2016	61,177	961,930	138,676	15,993	169,461	37,094	33,369	1,417,700
At June 30, 2017	93,044	933,934	108,450	13,595	159,438	30,587	34,775	1,373,823

28 PROPERTY AND EQUIPMENT (Continued)

At December 31, 2014, 2015 and 2016 and June 30, 2017, the carrying values of premises of which title deeds were not yet finalized by the Group were approximately RMB248,424,000, RMB236,930,000 and RMB899,857,000 and RMB901,318,000, respectively. Among them, the carrying values of premises that the Group has obtained housing property title certificates issued by the authorities but no land use right certificates were approximately RMB82,510,000, RMB78,980,000, and RMB78,009,000 and RMB95,442,000, respectively.

At December 31, 2014, 2015 and 2016 and June 30, 2017, the carrying values of premises of which title deeds were not yet finalized by the Bank were approximately RMB237,953,000, RMB233,793,000 and RMB896,170,000, RMB897,733,000, respectively. Among them, the carrying values of premises that the Bank has obtained housing property title certificates issued by the authorities but no land use right certificates were approximately RMB82,510,000, RMB78,980,000, and RMB78,009,000 and RMB95,442,000, respectively.

The carrying values of premises at the end of each of the Track Record Period are analyzed by the remaining terms of the leases as follows:

The Group

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Held in Mainland China				
—Medium term leases (10—50 years)	322,408	313,580	969,554	937,711
—Short term leases (less than 10 years)	—	—	—	3,584
	322,408	313,580	969,554	941,295

The Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Held in Mainland China				
—Medium term leases (10—50 years)	313,944	305,516	961,930	933,934

29 DEFERRED TAXATION

The following is an analysis of the deferred tax balances for financial reporting purposes:

The Group

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	286,141	611,541	1,213,251	1,244,919
Deferred tax liabilities	(943)	(14,408)	—	—
	285,198	597,133	1,213,251	1,244,919

The Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	284,914	610,243	1,210,823	1,242,491
Deferred tax liabilities	(943)	(14,408)	—	—
	283,971	595,835	1,210,823	1,242,491

The following are the major deferred tax assets/(liabilities) recognized and movements thereon in the Track Record Period:

The Group

	Provision for impairment losses on assets	Net losses/(gains) from fair value changes of financial instruments	Changes in fair value of available for sale financial assets	Salaries, bonuses and allowances payable	Others	Net balance of deferred tax assets
	RMB'000 Notes (i)	RMB'000 Notes (ii)	RMB'000 Notes (ii)	RMB'000	RMB'000	RMB'000
At January 1, 2014	72,585	—		5,790	—	78,375
Credit to profit or loss	203,316	—		410	3,445	207,171
(Charge)/credit to other comprehensive income	—	—	(943)	595	—	(348)
At December 31, 2014	275,901	—	(943)	6,795	3,445	285,198
Credit/(charge) to profit or loss	326,545	(138)	—	35	(1,507)	324,935
(Charge)/credit to other comprehensive income	—	—	(13,328)	458	—	(12,870)
Effect of change in tax rate	(130)	—	—	—	—	(130)
At December 31, 2015	602,316	(138)	(14,271)	7,288	1,938	597,133
Credit/(charge) to profit or loss	566,378	2,588	—	25,236	(1,705)	592,497
Credit to other comprehensive income	—	—	23,318	303	—	23,621
At December 31, 2016	1,168,694	2,450	9,047	32,827	233	1,213,251
Credit/(charge) to profit or loss	23,149	(562)	—	1,972	—	24,559
Credit/(charge) to other comprehensive income	—	—	7,729	(620)	—	7,109
At June 30, 2017	1,191,843	1,888	16,776	34,179	233	1,244,919

29 DEFERRED TAXATION (Continued)

The Bank

	Provision for impairment losses on assets	Net (gains)/losses from fair value changes of financial instruments	Changes in fair value of available for sale financial assets	Salaries, bonuses and allowances payable	Others	Net balance of deferred tax assets
	RMB'000 Notes (i)	RMB'000 Notes (ii)	RMB'000 Notes (ii)	RMB'000	RMB'000	RMB'000
At January 1, 2014	71,674	—	—	5,790	—	77,464
Credit to profit or loss	203,000	—	—	410	3,445	206,855
(Charge)/credit to other comprehensive income	—	—	(943)	595	—	(348)
At December 31, 2014	274,674	—	(943)	6,795	3,445	283,971
Credit/(charge) to profit or loss	326,344	(138)	—	35	(1,507)	324,734
(Charge)/credit to other comprehensive income	—	—	(13,328)	458	—	(12,870)
At December 31, 2015	601,018	(138)	(14,271)	7,288	1,938	595,835
Credit/(charge) to profit or loss	565,248	2,588	—	25,236	(1,705)	591,367
Credit to other comprehensive income	—	—	23,318	303	—	23,621
At December 31, 2016	1,166,266	2,450	9,047	32,827	233	1,210,823
Credit/(charge) to profit or loss	23,149	(562)	—	1,972	—	24,559
Credit/(charge) to other comprehensive income	—	—	7,729	(620)	—	7,109
At June 30, 2017	1,189,415	1,888	16,776	34,179	233	1,242,491

Notes:

(i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of each of the Track Record Period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of each of the Track Record Period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.

(ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realized.

30 OTHER ASSETS

The Group

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables and prepayments (Note (i))	75,953	139,196	124,977	160,756
Clearance of inter-bank accounts	113,753	—	—	—
Repossessed assets (Note (ii))	101,506	98,964	98,050	—
Deposits paid for acquisitions of premises	70,000	366,500	115,229	1,268,440
Land use right (Note (iii))	27,928	32,557	31,824	29,601
Long-term deferred expense	980	2,307	2,885	2,634
Intangible assets (Note (iv))	320	200	80	214
Other	89	24	311	441
	390,529	639,748	373,356	1,462,086

30 OTHER ASSETS (Continued)

The Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables and prepayments (Note (i))	74,107	135,981	122,213	160,150
Clearance of inter-bank accounts	113,753	—	—	—
Repossessed assets (Note (ii))	101,506	98,964	98,050	—
Deposits paid for acquisitions of premises	70,000	366,500	115,229	1,268,440
Land use right (Note (iii))	27,928	32,557	31,824	29,601
Long-term deferred expense	980	2,307	2,885	218
Intangible assets (Note (iv))	320	200	80	214
Other	89	24	311	441
	388,683	636,533	370,592	1,459,064

Notes:

(i) **The Group**

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables and prepayments	76,176	139,335	126,214	169,114
Less: Provision for impairment losses	(223)	(139)	(1,237)	(8,358)
	75,953	139,196	124,977	160,756

The Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables and prepayments	74,330	136,120	123,450	168,508
Less: Provision for impairment losses	(223)	(139)	(1,237)	(8,358)
	74,107	135,981	122,213	160,150

Movements of allowance for impairment loss:

The Group and the Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	—	223	139	1,237
Impairment losses recognized	223	224	3,511	7,121
Impairment losses reversed	—	—	(1,077)	—
Amounts written off as uncollectible	—	(308)	(1,336)	—
At the end of the year/period	223	139	1,237	8,358

(ii) **The Group and the Bank**

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Repossessed assets	145,923	142,703	140,072	—
Less: Provision for impairment losses	(44,417)	(43,739)	(42,022)	—
	101,506	98,964	98,050	—

30 OTHER ASSETS (Continued)

(ii) **The Group and the Bank (Continued)**

Movements of allowance for impairment loss:

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	127	44,417	43,739	42,022
Impairment losses recognized	44,290	—	—	—
Amounts written off as uncollectible	—	(678)	(1,717)	—
Elimination on disposals	—	—	—	(42,022)
At the end of the year/period	44,417	43,739	42,022	—

(iii) **The Group and the Bank**

Movements of land use rights:

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At the beginning of the year/period	7,507	28,926	34,289	34,415
Additions	21,419	5,363	126	—
At the end of the year/period	28,926	34,289	34,415	34,415
Accumulated amortization				
At the beginning of the year/period	313	998	1,732	2,591
Amortization for the year	685	734	859	2,223
At the end of the year/period	998	1,732	2,591	4,814
Carrying amounts				
At the end of the year/period	27,928	32,557	31,824	29,601

These lands are located in PRC with medium term leases (10 – 50 years).

(iv) **The Group and the Bank**

Movements of intangible assets:

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At the beginning of the year/period	600	600	600	600
Additions	—	—	—	233
At the end of the year/period	600	600	600	833
Accumulated amortization				
At the beginning of the year/period	160	280	400	520
Amortization for the year/period	120	120	120	99
At the end of the year/period	280	400	520	619
Carrying amounts				
At the end of the year/period	320	200	80	214

These intangible assets mainly included trademark which are amortized over 5 years.

31 PLEDGED ASSETS

(a) Assets pledged as collaterals

Financial assets pledged by the Group and the Bank as collaterals for liabilities or contingent liabilities mainly include discounted bills and debt securities, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as of December 31, 2014, 2015 and 2016 and June 30, 2017 are approximately RMB1,943,134,000, RMB5,067,322,000, RMB4,521,536,000 and RMB7,342,453,000, respectively.

(b) Received pledged assets

The Group and the Bank conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions.

32 BORROWINGS FROM THE CENTRAL BANK

The Group

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	1,625,000	3,556,000	4,685,000	4,005,000
Re-discounted bills	886,829	788,671	1,007,924	905,409
	2,511,829	4,344,671	5,692,924	4,910,409

The Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	1,525,000	3,425,000	4,625,000	3,925,000
Re-discounted bills	886,829	788,671	1,007,924	905,409
	2,411,829	4,213,671	5,632,924	4,830,409

33 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analyzed by type and location of counterparty

The Group

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits from the following institutions operating in Mainland China				
—Banks	36,817,660	30,686,833	27,451,357	19,593,008
—Other financial institutions	231,889	9,238,937	8,081,278	8,748,889
	37,049,549	39,925,770	35,532,635	28,341,897
Deposits from the following institutions operating outside Mainland China				
—Banks	—	8,524	244,765	267,947
	37,049,549	39,934,294	35,777,400	28,609,844

33 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS (Continued)

Analyzed by type and location of counterparty (Continued)

The Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits from the following institutions operating in Mainland China				
—Banks	36,971,241	30,727,243	27,517,026	19,622,821
—Other financial institutions	231,889	9,238,937	8,081,278	8,748,889
	37,203,130	39,966,180	35,598,304	28,371,710
Deposits from the following institutions operating outside Mainland China				
—Banks	—	8,524	244,765	267,947
	37,203,130	39,974,704	35,843,069	28,639,657

34 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analyzed by type and location of counterparty

The Group

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Placements from the following institutions operating in Mainland China				
—Banks	80,000	700,000	—	50,000

The Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Placements from the following institutions operating in Mainland China				
—Banks	—	700,000	—	50,000

35 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by type and location of counterparty

The Group and the Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
In Mainland China				
—Banks	2,010,428	5,206,119	4,085,481	7,572,908
—Other financial institutions	—	—	495,000	—
	2,010,428	5,206,119	4,580,481	7,572,908

35 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (Continued)

(b) Analyzed by collateral

The Group and the Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Debt securities	—	1,098,000	1,426,000	500,000
Discounted bills	2,010,428	4,108,119	3,154,481	7,072,908
	2,010,428	5,206,119	4,580,481	7,572,908

36 DEPOSITS FROM CUSTOMERS

The Group

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Demand deposits				
—Corporate customers	34,435,443	45,968,914	56,499,729	58,928,166
—Individual customers	8,257,201	18,024,165	20,115,254	23,025,426
	42,692,644	63,993,079	76,614,983	81,953,592
Time deposits				
—Corporate customers	7,734,096	14,120,842	20,603,352	17,925,662
—Individual customers	22,158,855	32,591,597	43,494,772	55,053,708
	29,892,951	46,712,439	64,098,124	72,979,370
Pledged deposits				
—Acceptances	21,653,578	20,349,915	16,108,835	14,190,648
—Guarantees and letters of guarantees	6,166	71,444	83,285	93,742
—Others	1,311,383	1,800,678	1,867,441	2,068,285
	22,971,127	22,222,037	18,059,561	16,352,675
Others	14,984,896	8,093,072	12,392,653	15,645,848
	110,541,618	141,020,627	171,165,321	186,931,485

36 DEPOSITS FROM CUSTOMERS (Continued)

The Bank

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At June 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Demand deposits				
—Corporate customers	34,289,079	45,892,034	56,390,631	58,797,958
—Individual customers	7,999,924	17,741,054	19,839,160	22,707,308
	42,289,003	63,633,088	76,229,791	81,505,266
Time deposits				
—Corporate customers	7,734,096	14,120,842	20,603,352	17,925,662
—Individual customers	22,018,997	32,366,246	43,143,876	54,620,939
	29,753,093	46,487,088	63,747,228	72,546,601
Pledged deposits				
—Acceptances	21,653,578	20,349,915	16,108,835	14,190,648
—Guarantees and letters of guarantees	6,166	71,444	83,285	93,742
—Others	1,311,383	1,800,678	1,867,441	2,068,285
	22,971,127	22,222,037	18,059,561	16,352,675
Others	14,984,896	8,093,074	12,392,654	15,645,849
	109,998,119	140,435,287	170,429,234	186,050,391

37 ACCRUED STAFF COSTS

The Group

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At June 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Salary and bonus payable	111,927	183,978	289,895	214,387
Social pension schemes payable	7,808	4,973	5,780	16,656
Other social insurances payable	8,808	6,960	9,895	13,420
Supplementary retirement benefits payable (Note (i))	9,930	13,220	29,390	28,080
Other long-term staff welfare payable (Note (ii))	17,250	15,930	13,610	12,380
	155,723	225,061	348,570	284,923

37 ACCRUED STAFF COSTS (Continued)

The Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Salary and bonus payable	111,903	183,209	286,455	212,355
Social pension schemes payable	7,808	4,973	5,780	16,491
Other social insurances payable	8,808	6,960	9,895	13,370
Supplementary retirement benefits payable (Note (i))	9,930	13,220	29,390	28,080
Other long-term staff welfare payable (Note (ii))	17,250	15,930	13,610	12,380
	155,699	224,292	345,130	282,676

Notes:

(i) Supplementary retirement benefits ("SRB"):

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of each of the reporting period. The Group's obligations in respect of the SRB were assessed using projected unit credit actuarial cost method by an external independent actuary, Willis Towers Watson (a member of Society of Actuaries in America).

The balances of SRB of the Group are as follows:

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Present value of SRB obligation	9,930	13,220	29,390	28,080

Movements of SRB of the Group are as follows:

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	6,560	9,930	13,220	29,390
Service cost	750	1,160	14,630	1,160
Interest cost	340	420	490	510
Actuarial losses/(gains)	2,380	1,831	1,211	(2,480)
Payment made	(100)	(121)	(161)	(500)
At the end of the year/period	9,930	13,220	29,390	28,080

Principal actuarial assumptions of the Group are as follow:

	At December 31,			At June 30,
	2014	2015	2016	2017
Discount rate	4.25%	3.75%	3.50%	4.00%
Mortality	CL5/CL6	CL5/CL6	CL5/CL6	CL5/CL6
Early retirement wage growth rate	6%	6%	6%	6%

Sensitivity analysis:

	Effect on SRB			
	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Discount rate (increase by 1%)	(238)	(334)	(491)	(431)
Discount rate (decrease by 1%)	344	491	700	606

Although the analysis does not take account of the full distribution of cash flows expected under the SRB, it does provide an approximation of the sensitivity of the assumptions shown.

37 ACCRUED STAFF COSTS (Continued)

The Bank (Continued)

(ii) Other long-term staff welfare payable

The Group pays compensation for termination benefits of eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of each of the reporting period. The Group's obligations in respect of other long-term staff welfare payable were assessed using projected unit credit actuarial cost method by qualified staff (a member of Society of Actuaries in America) of Willis Towers Watson, an external independent actuary.

The balances of other long-term staff welfare payable of the Group are as follows:

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Present value of other long-term staff welfare payable obligation	17,250	15,930	13,610	12,380

Movements of other long-term staff welfare payable of the Group are as follows:

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	16,600	17,250	15,930	13,610
Service cost	1,370	1,100	260	170
Payment made	(720)	(2,420)	(2,580)	(1,400)
At the end of the year/period	17,250	15,930	13,610	12,380

Principal actuarial assumptions of the Group are as follow:

	At December 31,			At June 30,
	2014	2015	2016	2017
Discount rate	3.50%	2.50%	2.75%	3.50%
Mortality	CL5/CL6	CL5/CL6	CL5/CL6	CL5/CL6
Early retirement wage growth rate	6%	6%	6%	6%

Sensitivity analysis:

	Effect on long-term staff welfare payable			
	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Discount rate (increase by 1%)	(64)	(54)	(41)	(34)
Discount rate (decrease by 1%)	68	58	43	36

Although the analysis does not take account of the full distribution of cash flows expected under other long-term staff welfare payable, it does provide an approximation of the sensitivity of the assumptions shown.

38 INTERESTS PAYABLE

The Group

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits from customers	702,103	884,555	2,121,086	2,951,635
Deposits from banks and other financial institutions	550,400	618,610	184,119	249,493
Debts securities issued	—	9,390	9,390	119,032
Others	10,436	11,513	14,635	15,763
	1,262,939	1,524,068	2,329,230	3,335,923

38 INTERESTS PAYABLE (Continued)

The Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits from customers	699,856	879,663	2,114,505	2,942,215
Deposits from banks and other financial institutions	550,393	618,609	184,119	249,483
Debts securities issued	—	9,390	9,390	119,032
Others	10,362	11,444	14,663	15,757
	1,260,611	1,519,106	2,322,677	3,326,487

39 DEBT SECURITIES ISSUED

The Group and the Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed rates financial bonds (Note (i))	—	—	—	2,997,201
Fixed rate tier-two capital bonds issued (Note (ii))	—	3,186,979	3,189,349	3,190,590
Interbank deposits (Note (iii))	—	2,716,066	6,945,546	15,268,626
	—	5,903,045	10,134,895	21,456,417

Notes:

(i) Fixed rates financial bonds

(a) Fixed rates financial bonds for "agriculture, rural, and farmers" (the first tranche) at a face value of RMB1,000,000,000 with a term of three years were issued on March 9, 2017. The coupon rate is 4.67%. The effective interest rate per annum on the Group's fixed rate financial bonds issued is 4.71%. As of June 30, 2017, the outstanding balance of this fixed rate financial bonds issued is approximately RMB998,588,000.

(b) Fixed rate green financial bonds at a face value of RMB1,000,000,000 with a term of five years were issued on April 18, 2017. The coupon rate is 5.00%. The effective interest rate per annum on the Group's fixed rate financial bonds issued is 5.02%. As of June 30, 2017, the outstanding balance of this fixed rate financial bonds issued is approximately RMB999,088,000.

(c) Fixed rate financial bonds for the "three rurals" (the second tranche) at a face value of RMB1,000,000,000 with a term of three years were issued on May 23, 2017. The coupon rate is 4.90%. The effective interest rate per annum on the Group's fixed rate financial bonds issued is 4.94%. As of June 30, 2017, the outstanding balance of this fixed rate financial bonds issued is approximately RMB999,525,000.

(ii) Fixed rate tier-two capital bonds issued

Fixed rate tier-two capital bonds at a face value of RMB3,200,000,000 with a term of ten years were issued on December 10, 2015. The coupon rate is 5.10%. The Group has an option to redeem the debts on December 11, 2020 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 5.20%. As of December 31, 2015 and 2016 and June 30, 2017, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB3,186,979,000, RMB3,189,349,000 and RMB3,190,590,000, respectively.

(iii) Interbank deposits

(a) For the year ended December 31, 2015, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB7,740,000,000 and duration between 1 month to 6 months. As of December 31, 2015, the outstanding balance of interbank deposits issued is approximately RMB2,716,066,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 2.55% to 3.60%. These interbank deposits were matured during the year ended December 31, 2016.

(b) For the year ended December 31, 2016, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB35,890,000,000 and duration between 1 month to 1 year. As of December 31, 2016 and June 30, 2017, the outstanding balance of interbank deposits issued is approximately RMB6,945,546,000 and RMB2,090,114,000 respectively. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 2.55% to 4.82%.

(c) For the period ended June 30, 2017, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB27,870,000,000 and duration between 1 month to 1 year. As of June 30, 2017, the outstanding balance of interbank deposits issued is approximately RMB13,178,512,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 4.00% to 5.31%.

40 OTHER LIABILITIES

The Group

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Other payable and accrued expenses	307,961	201,735	321,236	264,552
Clearance of inter-bank accounts	1,277	58,245	148,245	57,689
Agency business liabilities	7,277	9,138	20,193	32,642
Dividend payable	7,958	7,958	8,997	8,869
Other tax payables	67,661	106,568	86,583	113,717
Others	211	3,156	6,646	4,327
	392,345	386,800	591,900	481,796

The Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Other payable and accrued expenses	307,961	201,397	320,787	262,437
Clearance of inter-bank accounts	1,277	58,245	148,245	57,689
Agency business liabilities	7,277	9,138	20,193	32,642
Dividend payable	7,958	7,958	8,997	8,869
Other tax payables	67,421	106,079	86,240	113,394
Others	211	3,156	4,245	3,121
	392,105	385,973	588,707	478,152

41 SHARE CAPITAL

Share capital of the Group as of December 31, 2014, 2015 and 2016 and June 30, 2017 represented share capital of the Bank, which is fully paid.

Share capital as of the end of the Track Record Period are as follows:

The Group and the Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each:				
—Ordinary shares	7,136,863	7,525,991	7,525,991	7,525,991
At beginning of the year/period	4,899,752	7,136,863	7,525,991	7,525,991
Issuance of shares (Note i)	2,016,024	—	—	—
Capitalization of retained earnings (Note ii)	221,087	389,128	—	—
At end of the year/period	7,136,863	7,525,991	7,525,991	7,525,991

Notes:

(i) During the year ended December 31, 2014, the Bank issued 2,016,024,000 ordinary shares with a par value of RMB1 at RMB1.45 per share. The premium arising from the issuance of new shares amounting to RMB907,211,000 was recorded in capital reserve.

41 SHARE CAPITAL (Continued)

The Group and the Bank (Continued)

(ii) During the year ended December 31, 2014, the Bank issued 221,087,000 ordinary shares with a par value of RMB1 per share by way of capitalization of retained earnings of the Bank on the basis of sixty bonus shares for every one thousand weighted average number of shares.
During the year ended December 31, 2015, the Bank issued 389,128,000 ordinary shares with a par value of RMB1 per share by way of capitalization of retained earnings of the Bank on the basis of sixty five bonus shares for every one thousand weighted average number of shares.

42 RESERVES

(a) Capital reserve

The Group

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Share premium	1,449,429	1,449,429	1,449,429	1,449,429
Shareholders' injection (Note)	304,823	313,354	315,200	315,200
Changes in ownership in a subsidiary without change in control	554	554	554	554
	1,754,806	1,763,337	1,765,183	1,765,183

The Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Share premium	1,449,429	1,449,429	1,449,570	1,449,570
Shareholders' injection (Note)	304,823	313,354	315,059	315,059
	1,754,252	1,762,783	1,764,629	1,764,629

Note:
The promoters of the additional shares issued during the Bank's restructuring injected the Bank's net proceeds received from the disposal of non-performing assets which were entrusted to be managed by the Bank. Up to December 31, 2014, 2015 and 2016 and June 30, 2017, approximately RMB304,823,000, RMB313,354,000, RMB315,059,000 and RMB315,059,000 has been recorded as capital reserve respectively.

(b) Surplus reserve

The surplus reserve at the end of each of the Track Record Period represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund of the Group as of December 31, 2014, 2015 and 2016 and June 30, 2017 were approximately RMB205,718,000, RMB334,747,000, RMB525,917,000 and RMB557,666,000, respectively ,while other surplus reserve were approximately RMB31,749,000, RMB31,749,000, RMB31,749,000 and nil as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.

The statutory surplus reserve fund of the Bank as of December 31, 2014, 2015 and 2016 and June 30, 2017 were approximately RMB205,718,000, RMB334,747,000, RMB525,917,000 and RMB557,666,000, respectively, while other surplus reserve were approximately RMB31,749,000, RMB31,749,000, RMB31,749,000 and nil as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively. The Bank and its subsidiary are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

42 RESERVES (Continued)

(c) General reserve

With effect from July 1, 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Group is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

43 RESERVES OF THE BANK

	Capital reserve	Defined benefit plan reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2014	816,970	—	—	131,853	554,023	306,423	1,809,269
Profit for the year	—	—	—	—	—	1,056,137	1,056,137
Other comprehensive (expenses)/ income for the year	—	(1,785)	2,828	—	—	—	1,043
Total comprehensive (expenses)/ income for the year	—	(1,785)	2,828	—	—	1,056,137	1,057,180
Changes in share capital							
—Capital contributed by equity shareholders	907,211	—	—	—	—	—	907,211
—Capitalization of retained earnings	—	—	—	—	—	(221,087)	—
Shareholders' injection (Note 42)	30,071	—	—	—	—	—	30,071
Appropriation of profits:							
—Appropriation to surplus reserve	—	—	—	105,614	—	(105,614)	—
—Appropriation to general reserve	—	—	—	—	538,860	(538,860)	—
—Tax paid for capitalization of retained earnings	—	—	—	—	—	(602)	(602)
At December 31, 2014	1,754,252	(1,785)	2,828	237,467	1,092,883	496,397	3,582,042

43 RESERVES OF THE BANK (Continued)

	Capital reserve	Defined benefit plan reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	1,754,252	(1,785)	2,828	237,467	1,092,883	496,397	3,582,042
Profit for the year	—	—	—	—	—	1,290,284	1,290,284
Other comprehensive (expenses)/ income for the year	—	(1,373)	39,984	—	—	—	38,611
Total comprehensive (expenses)/ income for the year	—	(1,373)	39,984	—	—	1,290,284	1,328,895
Changes in share capital							
—Capitalization of retained earnings	—	—	—	—	—	(389,128)	(389,128)
Shareholder's injection (Note 42)	8,531	—	—	—	—	—	8,531
Appropriation of profits							
—Appropriation to surplus reserve	—	—	—	129,029	—	(129,029)	—
—Appropriation to general reserve	—	—	—	—	793,289	(793,289)	—
—Tax paid for capitalization of retained earnings	—	—	—	—	—	(685)	(685)
At December 31, 2015	1,762,783	(3,158)	42,812	366,496	1,886,172	474,550	4,529,655

	Capital reserve	Defined benefit plan reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2016	1,762,783	(3,158)	42,812	366,496	1,886,172	474,550	4,529,655
Profit for the year	—		—	—	—	1,911,698	1,911,698
Other comprehensive expenses for the year	—	(908)	(69,953)	—	—	—	(70,861)
Total comprehensive (expenses)/ income for the year	—	(908)	(69,953)	—	—	1,911,698	1,840,837
Shareholders' injection (Note 42)	1,846	—	—	—	—	—	1, 846
Appropriation of profits							
—Appropriation to surplus reserve	—	—	—	191,169	—	(191,169)	—
—Appropriation to general reserve	—	—	—	—	1,327,675	(1,327,675)	—
—Dividends paid	—	—	—	—	—	(602,079)	(602,079)
At December 31, 2016	1,764,629	(4,066)	(27,141)	557,665	3,213,847	265,325	5,770,259

43 RESERVES OF THE BANK (Continued)

	Capital reserve	Defined benefit plan reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	1,764,629	(4,066)	(27,141)	557,665	3,213,847	265,325	5,770,259
Profit for the period	—	—	—	—	—	2,035,466	2,035,466
Other comprehensive income/ (expenses) for the period	—	1,860	(23,187)	—	—	—	(21,327)
Total comprehensive income/ (expenses) for the period	—	1,860	(23,187)	—	—	2,035,466	2,014,139
At June 30, 2017	1,764,629	(2,206)	(50,328)	557,666	3,213,847	2,300,791	7,784,399

44 DIVIDENDS

Pursuant to the resolution of the shareholders meeting of 2015 on April 26, 2016, the Bank distributed cash dividends of RMB0.08 per share (tax included) based on number of approximately 7,525,991,000 shares held amounting to approximately RMB602,079,000 during the year ended December 31, 2016.

45 STRUCTURED ENTITIES

(a) Consolidated structured entities

The consolidated structured entities of the Group and the Bank mainly include principal-guaranteed wealth management products sponsored by the Bank. As of December 31, 2014, 2015 and 2016 and June 30, 2017, the amount of assets held by the consolidated principal-guaranteed wealth management products sponsored by the Bank amounted to approximately RMB9,830,957,000, RMB2,515,585,000, RMB697,169,000 and RMB693,978,000, respectively.

(b) Unconsolidated structured entities

(i) Structured entities sponsored by third party institutions in which the Group and the Bank hold an interest

The Group and the Bank hold interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include trust fund plans, asset management plans and wealth management products issued by other financial institutions.

The following table set out an analysis of the gross carrying amounts of interests held by the Group and the Bank as of December 31, 2014, 2015 and 2016 and June 30, 2017:

	December 31, 2014			
	Available-for-sale financial assets	Debt securities classified as receivables	Carrying amount	Maximum exposure
	RMB'000	RMB'000	RMB'000	RMB'000
Trust plans	—	19,374,389	19,374,389	19,374,389
Asset management plans	9,830,957	28,540,222	38,371,179	38,371,179
Wealth managements products issued by other financial institutions	2,403,771	—	2,403,771	2,403,771
	12,234,728	47,914,611	60,149,339	60,149,339

45 STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (Continued)

(i) Structured entities sponsored by third party institutions in which the Group and the Bank hold an interest (Continued)

The following table set out an analysis of the gross carrying amounts of interests held by the Group and the Bank as of December 31, 2014, 2015 and 2016 and June 30, 2017: (Continued)

	December 31, 2015			
	Available-for-sale financial assets	Debt securities classified as receivables	Carrying amount	Maximum exposure
	RMB'000	RMB'000	RMB'000	RMB'000
Trust plans	10,000	17,143,240	17,153,240	17,153,240
Asset management plans	3,719,211	43,094,070	46,813,281	46,813,281
Wealth management products issued by other financial institutions	107,761	—	107,761	107,761
	3,836,972	60,237,310	64,074,282	64,074,282

	December 31, 2016			
	Available-for-sale financial assets	Debt securities classified as receivables	Carrying amount	Maximum exposure
	RMB'000	RMB'000	RMB'000	RMB'000
Trust plans	35,000	21,013,246	21,048,246	21,048,246
Asset management plans	2,642,358	52,605,293	55,247,651	55,247,651
Wealth management products issued by other financial institutions	104,555	—	104,555	104,555
Investment funds	396,424	—	396,424	396,424
	3,178,337	73,618,539	76,796,876	76,796,876

	June 30, 2017			
	Available-for-sale financial assets	Debt securities classified as receivables	Carrying amount	Maximum exposure
	RMB'000	RMB'000	RMB'000	RMB'000
Trust plans	838,149	10,141,505	10,979,654	10,979,654
Asset management plans	2,863,466	37,405,526	40,268,992	40,268,992
Wealth management products issued by other financial institutions	112,825	—	112,825	112,825
Investment funds	399,196	—	399,196	399,196
	4,213,636	47,547,031	51,760,667	51,760,667

(ii) Structured entities sponsored by the Group and the Bank which the Group and the Bank do not consolidate but holds an interest in:

The types of unconsolidated structured entities sponsored by the Group and the Bank include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group and the Bank includes investments in units issued by these structured entities and fees charged by providing management services. As of December 31, 2014, 2015 and 2016 and June 30, 2017, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognized are not material in the consolidated statements of financial positions.

45 STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (Continued)

(ii) Structured entities sponsored by the Group and the Bank which the Group and the Bank do not consolidate but holds an interest in: (Continued)

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group and the Bank, are approximately RMB1,206,120,000, RMB11,570,064,000, RMB15,422,915,000 and RMB16,261,790,000, respectively.

(iii) Unconsolidated structured entities sponsored by the Group and the Bank during the year/period which the Group and the Bank do not have an interest in as of December 31, 2014, 2015 and 2016 and June 30, 2017:

During the year ended December 31, 2014, 2015 and 2016, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before December 31 amounted to RMB489,693,000, RMB12,316,013,000 and RMB22,235,738,000, respectively.

During the six month ended June 30, 2017, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before June 30 amounted to RMB4,989,657,000.

46 CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the CBRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

Since January 1, 2013, the Group started computing its capital adequacy ratios in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

46 CAPITAL MANAGEMENT (Continued)

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardized approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.

The Group's capital adequacy ratios as of December 31, 2014, 2015 and 2016 and June 30, 2017 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the CBRC are as follows:

The Group

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Total core tier-one capital				
Share capital	7,136,863	7,525,991	7,525,991	7,525,991
Qualifying portion of capital reserve	1,754,806	1,763,337	1,765,183	1,765,183
Defined benefit plan reserve	(1,785)	(3,158)	(4,066)	(2,206)
Investment revaluation reserve	2,828	42,812	(27,141)	(50,328)
Surplus reserve	237,467	366,496	557,666	557,666
General reserve	1,105,135	1,898,424	3,226,100	3,226,100
Retained earnings	492,109	475,352	271,460	2,313,430
Qualifying portions of non-controlling interests	17,501	21,531	18,750	21,013
Core tier-one capital deductions (Note)	(42,537)	(51,452)	(54,084)	(30,803)
Net core tier-one capital	10,702,387	12,039,333	13,279,859	15,326,046
Eligible portion of non-controlling interests	539	834	1,738	1,937
Net tier-one capital	10,702,926	12,040,167	13,281,597	15,327,983
Tier-two capital				
Qualifying portion of tier-two capital instruments issued	—	3,186,979	3,189,349	3,190,590
Surplus provision for loan impairment	759,507	816,604	1,786,005	2,085,011
Eligible portion of non-controlling interests	2,087	1,668	3,961	4,413
Net capital base	11,464,520	16,045,418	18,260,912	20,607,997
Total risk weighted assets	108,651,754	140,520,285	154,753,875	179,324,158
Core tier-one capital adequacy ratio	9.85%	8.57%	8.58%	8.55%
Tier-one capital adequacy ratio	9.85%	8.57%	8.58%	8.55%
Capital adequacy ratio	10.55%	11.42%	11.80%	11.49%

Notes: Core tier-one capital deductions primarily include other intangible assets excluding land use rights and deferred tax assets recognized for tax losses.

47 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following balances with an original maturity of less than three months:

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	403,506	423,088	519,973	441,643
Deposits with the central bank	1,498,506	913,859	3,056,920	4,025,165
Deposits with banks	16,702,723	22,208,631	21,477,038	28,927,620
Financial assets held under resale agreements	4,893,851	—	498,086	15,749,214
Total	23,498,586	23,545,578	25,552,017	49,143,642

48 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

(a) Related parties of the Group

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	At December 31,			At June 30,
	2014	2015	2016	2017
Gansu Province Highway Aviation Tourism Investment Group Co., Ltd.	15.29%	15.38%	15.38%	15.38%
Baoshang Bank Co., Ltd.	11.12%	11.23%	11.23%	11.23%
Jinquan Iron & Steel (Group) Co., Ltd.	8.34%	8.42%	8.42%	8.42%
Gansu Province Electric Power Investment Group Co. Ltd.	8.34%	8.42%	8.42%	8.42%
Jinchuan Group Co., Ltd.	8.34%	8.42%	8.42%	8.42%

(ii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 48(a)(i) or their controlling shareholders. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

(b) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and subsidiary

The subsidiary of the Bank is its related parties. The transactions between the Bank and its subsidiary and among the subsidiary are eliminated on consolidation and therefore are not disclosed in this note.

48 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(b) Transactions with related parties other than key management personnel (Continued)

(ii) Transactions between the Group and associate

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Transaction during the year/period					
Interest income	9	1,036	947	471	347

	At December 31,			At June 30, 2017
	2014	2015	2016	
	RMB'000	RMB'000	RMB'000	RMB'000
Balances at end of the year/period				
Deposits with banks	70,009	61,027	61,963	—
Interests receivable	1	18	28	—

(iii) Transactions between the Group and major shareholders

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Transactions during the year/period					
Interest income	26,314	45,757	34,172	15,047	23,589
Interest expense	1,001	573	803	346	54,752

	At December 31,			At June 30, 2017
	2014	2015	2016	
	RMB'000	RMB'000	RMB'000	RMB'000
Balances at end of the year/period				
Deposits with banks	600,000	—	—	—
Loans and advances to customers	600,000	600,000	1,820,000	600,000
Interests receivable	7,537	874	1,362	725
Deposits from banks and other financial institutions	—	—	—	4,490,000
Deposits from customers	1,598,384	350,759	478,134	499,070
Interests payable	8,740	18,468	30,082	92,137

(iv) Transactions between the Group and other related parties:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Transactions during the year/period					
Interest income	32,200	87,770	94,227	8,075	33,321
Interest expense	33,434	18,898	5,193	6,882	2,554

48 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(b) Transactions with related parties other than key management personnel (Continued)

(iv) Transactions between the Group and other related parties: (Continued)

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Balances at end of the year/period				
Loans and advances to customers	2,005,000	1,876,750	2,282,284	1,412,520
Interests receivables	3,566	1,718	2,637	1,694
Other assets—deposits paid for acquisitions of premises	—	—	—	1,153,211
Deposits from customers	6,184,028	2,316,964	2,591,499	1,865,454
Deposits from banks and other financial institutions	11,899	106,045	10,841	6,206
Interests payable	6,159	9,700	22,074	8,113

(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, board of directors, the supervisory board and executive officers.

(i) Transactions between the Group and key management personnel

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Transactions during the year/period					
Interest expense	6	6	640	639	3

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Balances at end of the year/period				
Deposits from customers	961	2,298	2,421	5,155
Interests payable	1	1	1	1

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	572	572	334	142	284
Salaries, allowances and benefits in kind	3,000	3,209	2,837	1,531	1,525
Retirement benefits scheme contributions	527	561	545	263	278
Discretionary bonuses	3,187	2,964	2,712	102	242
	7,286	7,306	6,428	2,038	2,329

48 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(d) Loans and advances to directors, supervisors and officers

During the Track Record Period, there is no loans and advances to directors, supervisors and officers of the Group.

49 SEGMENT REPORTING

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services and remittance services.

Financial market operations

This segment covers the Group's financial market operations. The financial market operations enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The financial market segment also covers management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/(expense)".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and expenses are

49 SEGMENT REPORTING (Continued)

determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the Track Record Period to acquire property and equipment, land use rights and other long-term assets.

(a) Segment results, assets and liabilities

The Group

	Year ended December 31, 2014				
	Corporate banking	Retail banking	Financial market operations	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating income					
External net interest income/(expense)	1,628,062	(756,587)	2,561,525	—	3,433,000
Internal net interest income/(expense)	100,698	1,386,171	(1,486,869)	—	—
Net interest income/ (expense)	1,728,760	629,584	1,074,656	—	3,433,000
Net fee and commission income/(expense)	76,825	(7,238)	43,788	25,170	138,545
Foreign exchange losses	—	—	—	(1,222)	(1,222)
Other operating income	—	—	—	32,037	32,037
Operating income	1,805,585	622,346	1,118,444	55,985	3,602,360
Operating expenses	(630,827)	(217,432)	(390,758)	(19,561)	(1,258,576)
Impairment losses on assets	(465,755)	(35,581)	(392,105)	(44,513)	(937,954)
Operating profit	709,003	369,333	335,581	(8,087)	1,405,830
Share of profit of an associate	—	—	—	2,755	2,755
Profit/(loss) before tax	709,003	369,333	335,581	(5,332)	1,408,585
Segment assets	49,561,130	2,614,051	112,542,796	95,989	164,813,966
Deferred tax assets	—	—	—	286,141	286,141
Total assets	49,561,130	2,614,051	112,542,796	382,130	165,100,107
Segment liabilities	73,082,688	38,552,376	42,389,463	316,817	154,341,344
Deferred tax liabilities	—	—	—	943	943
Dividend payable	—	—	—	7,958	7,958
Total liabilities	73,082,688	38,552,376	42,389,463	325,718	154,350,245
Other segment information					
—Depreciation and amortization	29,770	10,261	18,440	923	59,394
—Capital expenditure	135,135	46,578	83,708	4,190	269,611

49 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

The Group (Continued)

	Year ended December 31, 2015				
	Corporate banking	Retail banking	Financial market operations	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating income					
External net interest income/(expense)	2,856,738	(1,645,908)	3,923,204	—	5,134,034
Internal net interest income/(expense)	139,916	1,899,500	(2,039,416)	—	—
Net interest income	2,996,654	253,592	1,883,788	—	5,134,034
Net fee and commission income/(expense)	125,968	(27,634)	39,776	3,316	141,426
Net trading gains	—	—	(6,124)	—	(6,124)
Net gains arising from investment securities	—	—	(1,035)	—	(1,035)
Foreign exchange gains	—	—	—	6,366	6,366
Other operating income	—	—	—	28,174	28,174
Operating income	3,122,622	225,958	1,916,405	37,856	5,302,841
Operating expenses	(1,077,601)	(77,977)	(661,342)	(13,064)	(1,829,984)
Impairment losses on assets	(1,278,935)	(86,640)	(354,753)	(224)	(1,720,552)
Operating profit	766,086	61,341	900,310	24,568	1,752,305
Share of profit of an associate	—	—	—	1,404	1,404
Profit before tax	766,086	61,341	900,310	25,972	1,753,709
Segment assets	72,585,056	5,736,399	132,558,596	439,147	211,319,198
Deferred tax assets	—	—	—	611,541	611,541
Total assets	72,585,056	5,736,399	132,558,596	1,050,688	211,930,739
Segment liabilities	90,967,678	51,560,306	57,077,030	208,643	199,813,657
Deferred tax liabilities	—	—	—	14,408	14,408
Dividend payable	—	—	—	7,958	7,958
Total liabilities	90,967,678	51,560,306	57,077,030	231,009	199,836,023
Other segment information					
—Depreciation and amortization	54,888	3,972	33,685	665	93,210
—Capital expenditure	127,541	9,229	78,274	1,546	216,590

49 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

The Group (Continued)

	Year ended December 31, 2016				
	Corporate banking	Retail banking	Financial market operations	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating income					
External net interest income/(expense)	4,481,634	(1,300,804)	3,489,387	—	6,670,217
Internal net interest (expense)/income	(541,726)	2,097,258	(1,555,532)	—	—
Net interest income	3,939,908	796,454	1,933,855	—	6,670,217
Net fee and commission income/(expense)	137,822	(29,354)	125,002	22,843	256,313
Net trading losses	—	—	(7,983)	—	(7,983)
Foreign exchange gains	—	—	—	9,867	9,867
Other operating income	—	—	—	42,499	42,499
Operating income	4,077,730	767,100	2,050,874	75,209	6,970,913
Operating expenses	(1,113,673)	(209,503)	(560,117)	(20,541)	(1,903,834)
Impairment losses on assets	(1,041,905)	(152,164)	(1,307,844)	(2,434)	(2,504,347)
Operating profit	1,922,152	405,433	182,913	52,234	2,562,732
Share of profits of associates	—	—	—	1,877	1,877
Profit before tax	1,922,152	405,433	182,913	54,111	2,564,609
Segment assets	84,146,645	7,788,170	151,711,042	197,249	243,843,106
Deferred tax assets	—	—	—	1,213,251	1,213,251
Total assets	84,146,645	7,788,170	151,711,042	1,410,500	245,056,357
Segment liabilities	108,647,076	65,830,577	56,886,747	339,316	231,703,716
Dividend payable	—	—	—	8,997	8,997
Total liabilities	108,647,076	65,830,577	56,886,747	348,313	231,712,713
Other segment information					
—Depreciation and amortization	83,612	15,729	42,052	1,542	142,935
—Capital expenditure	273,488	51,448	137,549	5,045	467,530

49 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

The Group (Continued)

	Six months ended June 30, 2016 (unaudited)				
	Corporate banking	Retail banking	Financial market operations	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating income					
External net interest income/(expense)	2,145,022	(651,434)	1,684,526	—	3,178,114
Internal net interest (expense)/income	(179,343)	938,506	(759,163)	—	—
Net interest income	1,965,679	287,072	925,363	—	3,178,114
Net fee and commission income/(expense)	58,709	(13,741)	24,196	10,480	79,644
Net trading gains	—	—	6,247	—	6,247
Foreign exchange gains	—	—	—	3,126	3,126
Other operating income	—	—	—	2,336	2,336
Operating income	2,024,388	273,331	955,806	15,942	3,269,467
Operating expenses	(542,954)	(73,309)	(256,354)	(4,276)	(876,893)
Impairment losses on assets	(720,317)	(50,112)	(664,957)	(3,511)	(1,438,897)
Operating profit	761,117	149,910	34,495	8,155	953,677
Share of profits of associates	—	—	—	645	645
Profit before tax	761,117	149,910	34,495	8,800	954,322
Other segment information					
—Depreciation and amortization	41,522	5,606	19,604	327	67,059
—Capital expenditure	30,982	4,183	14,628	244	50,037

49 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

The Group (Continued)

	Six months ended June 30, 2017				
	Corporate banking	Retail banking	Financial market operations	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating income					
External net interest income/(expense)	2,379,791	(842,101)	2,212,909	—	3,750,599
Internal net interest (expense)/income	(351,598)	1,210,958	(859,360)	—	—
Net interest income	2,028,193	368,857	1,353,549	—	3,750,599
Net fee and commission income	83,619	1,194	125,163	14,535	224,511
Net trading losses	—	—	(3,930)	—	(3,930)
Foreign exchange losses	—	—	—	(4,658)	(4,658)
Other operating income	—	—	—	84,002	84,002
Operating income	2,111,812	370,051	1,474,782	93,879	4,050,524
Operating expenses	(439,097)	(76,943)	(306,643)	(19,520)	(842,203)
Impairment losses on assets	(331,816)	(80,710)	(76,843)	(7,754)	(497,123)
Operating profit	1,340,899	212,398	1,091,296	66,605	2,711,198
Share of profits of associates	—	—	—	865	865
Profit before tax	1,340,899	212,398	1,091,296	67,470	2,712,063
Segment assets	87,955,844	10,425,836	169,429,859	298,166	268,109,705
Deferred tax assets	—	—	—	1,244,919	1,244,919
Total assets	87,955,844	10,425,836	169,429,859	1,543,085	269,354,624
Segment liabilities	109,293,884	81,132,755	63,267,658	283,309	253,977,606
Dividend payable	—	—	—	8,869	8,869
Total liabilities	109,293,884	81,132,755	63,267,658	292,178	253,986,475
Other segment information					
—Depreciation and amortization	58,490	10,249	40,849	2,600	112,188
—Capital expenditure	56,211	9,850	39,255	2,498	107,814

(b) Geographical information

No geographical information is presented as most of the Group's operations are conducted in Gansu Province of the PRC and all non-current assets are located and therefore revenue is derived from activities in Gansu Province of the PRC.

50 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyze the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios.

Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. The Group established a credit risk management structure which includes the president, chief officers and the risk management committee of the head office, persons-in-charge and risk officers of branches and sub-branches, credit approval committees or groups and the risk management, business, marketing and internal audit departments. The risk management department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the risk management department is also responsible for formulating risk management policies and authorization proposals for credit business. Legal and compliance department is responsible for formulating the authorization proposals for credit business. To ensure the independence of credit approval, the credit approval department is independent from customer relationship and product management departments. Front office departments such as the corporate business department carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place continuous monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's

50 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

repayment ability are reported immediately, and actions are taken to mitigate the risks. Customer relationship managers and risk managers work independently to manage the key risk points throughout the process of credit business.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to overdue loan recovery procedures.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

The core definitions of the five categories of loans and advances are set out below:

Normal: Borrowers can honor the terms of their loans. There is no reason to doubt their disability to repay principal and interest in full on a timely basis.

Special mention: Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.

Substandard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.

Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collaterals or guarantees are invoked.

Loss: Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

Financial Market Operations

The Group sets credit limits for financial market operations based on the credit risk inherent in the products, counterparties and geographical areas. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as of the end of each of the Track Record Period.

50 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Financial Market Operations (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows:

The Group

	At December 31, 2014				
	Loans and advances	Deposits with banks	Financial assets held under resale agreements	Investments(*)	Others(**)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impaired					
Individually assessed gross amount	124,764	—	—	—	—
Less: provision for impairment losses	(76,798)	—	—	—	—
	47,966	—	—	—	—
Collectively assessed gross amount	92,968	—			434
Less: provision for impairment losses	(45,506)	—	—	—	(223)
	47,462	—	—	—	211
Overdue but not impaired					
Gross amount					
—Less than three months (inclusive)	360,814	—	—	—	756
—Between three months and six months (inclusive)	—	—	—	—	—
—Between six months and one year (inclusive)	—	—	—	—	—
—More than one year	—	—	—	—	—
	360,814	—	—	—	756
Less: provision for impairment losses	(10,778)	—	—	—	—
	350,036	—	—	—	756
Neither overdue nor impaired					
Gross amount	55,916,992	19,427,723	4,893,851	62,504,140	857,665
Less: provision for impairment losses	(844,157)	—	—	(502,694)	—
	55,072,835	19,427,723	4,893,851	62,001,446	857,665
	55,518,299	19,427,723	4,893,851	62,001,446	858,632

50 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Financial Market Operations (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows: (Continued)

The Group (Continued)

	At December 31, 2015				
	Loans and advances	Deposits with banks	Financial assets held under resale agreements	Investments(*)	Others(**)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impaired					
Individually assessed gross amount	678,047	—	—	—	—
Less: provision for impairment losses	(312,669)	—	—	—	—
	365,378	—	—	—	—
Collectively assessed gross amount	925,106	—	—	200,000	271
Less: provision for impairment losses	(475,856)	—	—	(60,000)	(133)
	449,250	—	—	140,000	138
Overdue but not impaired					
Gross amount					
—Less than three months (inclusive)	1,826,530	—	—	—	23,295
—Between three months and six months (inclusive)	422,080	—	—	—	—
—Between six months and one year (inclusive)	20,000	—	—	—	—
—More than one year	—	—	—	—	—
	2,268,610	—	—	—	23,295
Less: provision for impairment losses	(110,310)	—	—	—	(6)
	2,158,300	—	—	—	23,289
Neither overdue nor impaired					
Gross amount	86,754,936	26,573,765	—	71,372,691	879,260
Less: provision for impairment losses	(1,520,922)	—	—	(676,254)	—
	85,234,014	26,573,765	—	70,696,437	879,260
	88,206,942	26,573,765	—	70,836,437	902,687

50 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Financial Market Operations (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows: (Continued)

The Group (Continued)

	At December 31, 2016				
	Loans and advances	Deposits with banks	Financial assets held under resale agreements	Investments(*)	Others(**)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impaired					
Individually assessed gross amount	1,249,061	—	—	4,500,000	—
Less: provision for impairment losses.	(709,990)	—	—	(325,000)	—
	539,071	—	—	4,175,000	—
Collectively assessed gross amount	699,815	—	—	245,300	2,246
Less: provision for impairment losses.	(416,584)	—	—	(130,750)	(1,052)
	283,231	—	—	114,550	1,194
Overdue but not impaired					
Gross amount					
—Less than three months (inclusive)	381,422	—	—	—	19,684
—Between three months and six months (inclusive)	53,750	—	—	—	—
—Between six months and one year (inclusive)	16,000	—	—	—	—
—More than one year	—	—	—	—	—
	451,172	—	—	—	19,684
Less: provision for impairment losses	(40,847)	—	—	—	(185)
	410,325	—	—	—	19,499
Neither overdue nor impaired					
Gross amount	105,455,032	24,571,875	498,086	84,262,864	773,237
Less: provision for impairment losses	(2,588,534)	—	—	(1,446,219)	—
	102,866,498	24,571,875	498,086	82,816,645	773,237
	104,099,125	24,571,875	498,086	87,106,195	793,930

50 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Financial Market Operations (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows: (Continued)

The Group (Continued)

	At June 30, 2017				
	Loans and advances	Deposits with banks	Financial assets held under resale agreements	Investments(*)	Others(**)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impaired					
Individually assessed gross amount	1,152,610	—	—	—	—
Less: provision for impairment losses	(778,981)	—	—	—	—
	373,629	—	—	—	—
Collectively assessed gross amount	775,550	—	—	900,000	—
Less: provision for impairment losses	(488,948)	—	—	(450,000)	—
	286,602	—	—	450,000	—
Overdue but not impaired					
Gross amount					
—Less than three months (inclusive)	1,452,572	—	—	—	—
—Between three months and six months (inclusive)	638,233	—	—	—	—
—Between six months and one year (inclusive)	—	—	—	—	—
—More than one year	—	—	—	—	—
	2,090,805	—	—	—	—
Less: provision for impairment losses	(186,023)	—	—	—	—
	1,904,782	—	—	—	—
Neither overdue nor impaired					
Gross amount	114,150,941	42,774,894	15,749,214	66,211,242	1,137,118
Less: provision for impairment losses	(2,793,670)	—	—	(1,449,671)	(8,358)
	111,357,271	42,774,894	15,749,214	64,761,571	1,128,760
	113,922,284	42,774,894	15,749,214	65,211,571	1,128,760

50 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Financial Market Operations (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows: (Continued)

The Bank

	At December 31, 2014				
	Loans and advances	Deposits with banks	Financial assets held under resale agreements	Investments(*)	Others(**)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impaired					
Individually assessed gross amount	123,000	—	—	—	—
Less: provision for impairment losses	(75,475)	—	—	—	—
	47,525	—	—	—	—
Collectively assessed gross amount	92,968	—	—	—	434
Less: provision for impairment losses	(45,506)	—	—	—	(223)
	47,462	—	—	—	211
Overdue but not impaired					
Gross amount					
—Less than three months (inclusive)	355,633	—	—	—	756
—Between three months and six months (inclusive)	—	—	—	—	—
—Between six months and one year (inclusive)	—	—	—	—	—
—More than one year	—	—	—	—	—
	355,633	—	—	—	756
Less: provision for impairment losses	(10,665)	—	—	—	—
	344,968	—	—	—	756
Neither overdue nor impaired					
Gross amount	55,560,258	19,273,344	4,893,851	62,504,140	853,205
Less: provision for impairment losses	(838,806)	—	—	(502,694)	—
	54,721,452	19,273,344	4,893,851	62,001,446	853,205
	55,161,407	19,273,344	4,893,851	62,001,446	854,172

50 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Financial Market Operations (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows: (Continued)

The Bank (Continued)

	At December 31, 2015				
	Loans and advances	Deposits with banks	Financial assets held under resale agreements	Investments(*)	Others(**)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impaired					
Individually assessed gross amount	659,385	—	—	—	—
Less: provision for impairment losses	(305,053)	—	—	—	—
	354,332	—	—	—	—
Collectively assessed gross amount	925,106	—	—	200,000	271
Less: provision for impairment losses	(475,856)	—	—	(60,000)	(133)
	449,250	—	—	140,000	138
Overdue but not impaired					
Gross amount					
—Less than three months (inclusive)	1,813,274	—	—	—	23,295
—Between three months and six months (inclusive)	422,080	—	—	—	—
—Between six months and one year (inclusive)	20,000	—	—	—	—
—More than one year	—	—	—	—	—
	2,255,354	—	—	—	23,295
Less: provision for impairment losses	(109,969)	—	—	—	(6)
	2,145,385	—	—	—	23,289
Neither overdue nor impaired					
Gross amount	86,169,741	26,520,282	—	71,372,691	874,366
Less: provision for impairment losses	(1,512,144)	—	—	(676,254)	—
	84,657,597	26,520,282	—	70,696,437	874,366
	87,606,564	26,520,282	—	70,836,437	897,793

50 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Financial Market Operations (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows: (Continued)

The Bank (Continued)

	At December 31, 2016				
	Loans and advances	Deposits with banks	Financial assets held under resale agreements	Investments(*)	Others(**)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impaired					
Individually assessed gross amount	1,234,313	—	—	4,500,000	—
Less: provision for impairment losses	(700,300)	—	—	(325,000)	—
	534,013	—	—	4,175,000	—
Collectively assessed gross amount	699,815	—	—	245,300	2,246
Less: provision for impairment losses	(416,584)	—	—	(130,750)	(1,052)
	283,231	—	—	114,550	1,194
Overdue but not impaired					
Gross amount					
—Less than three months (inclusive)	374,315	—	—	—	19,684
—Between three months and six months (inclusive)	53,750	—	—	—	—
—Between six months and one year (inclusive)	16,000	—	—	—	—
—More than one year	—	—	—	—	—
	444,065	—	—	—	19,684
Less: provision for impairment losses	(40,361)	—	—	—	(185)
	403,704	—	—	—	19,499
Neither overdue nor impaired					
Gross amount	104,823,641	24,542,946	498,086	84,262,864	768,699
Less: provision for impairment losses	(2,572,671)	—	—	(1,446,219)	—
	102,250,970	24,542,946	498,086	82,816,645	768,699
	103,471,918	24,542,946	498,086	87,106,195	789,392

50 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Financial Market Operations (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows: (Continued)

The Bank (Continued)

	At June 30, 2017				
	Loans and advances	Deposits with banks	Financial assets held under resale agreements	Investments(*)	Others(**)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impaired					
Individually assessed gross amount	1,138,615	—	—	—	—
Less: provision for impairment losses	(769,541)	—	—	—	—
	369,074	—	—	—	—
Collectively assessed gross amount	772,501	—	—	900,000	—
Less: provision for impairment losses	(486,333)	—	—	(450,000)	—
	286,168	—	—	450,000	—
Overdue but not impaired					
Gross amount					
—Less than three months (inclusive)	1,426,425	—	—	—	—
—Between three months and six months (inclusive)	633,903	—	—	—	—
—Between six months and one year (inclusive)	—	—	—	—	—
—More than one year	—	—	—	—	—
	2,060,328	—	—	—	—
Less: provision for impairment losses	(183,851)	—	—	—	—
	1,876,477	—	—	—	—
Neither overdue nor impaired					
Gross amount	113,517,755	42,508,827	15,749,214	66,211,242	1,134,052
Less: provision for impairment losses	(2,778,858)	—	—	(1,449,671)	(8,358)
	110,738,897	42,508,827	15,749,214	64,761,571	1,125,694
	113,270,616	42,508,827	15,749,214	65,211,571	1,125,694

* Investments comprise financial assets at fair value through profit or loss, available-for-sale debt investments, held-to-maturity investments and debt securities classified as receivables.

** Others comprise interest receivable, other receivables and prepayments in other assets.

50 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Financial Market Operations (Continued)

(iii) Credit rating

The Group adopts a credit rating approach in managing the credit risk of the listed debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analyzed by the rating agency designations as of the end of each of the Track Record Period are as follows:

The Group and the Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Neither overdue nor impaired				
Ratings				
—AAA	1,852,107	2,632,902	3,991,572	4,437,744
—AA- to AA	—	247,078	—	120,079
—A- to A	—	—	—	—
—lower than A-	—	—	—	—
—unrated (Note)	—	3,882,175	6,288,347	7,924,760
	1,852,107	6,762,155	10,279,919	12,482,583

Note: Debt securities held by the Group and the Bank mainly issued by the Mainland China government and policy banks which are creditworthy issuers in the market, but not rated by independent rating agencies.

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorized by the board of directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its financial market operations. The board assumes ultimate responsibility for management of market risk. The senior management implements market risk management strategies and policies as approved by our board. The Group's business departments implement market risk management measures in their daily operations.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile for each period with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on / off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorizing each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarizing all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The planning and finance department is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimize potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

Trading interest rate risk

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as of the end of each of the Track Record Period by the expected next repricing dates or by maturity dates, depending on which is earlier:

The Group

	At December 31, 2014					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Cash and deposits with the central bank	21,172,453	403,507	20,768,946	—	—	—
Deposits with banks	19,427,723	—	18,902,723	525,000	—	—
Financial assets held under resale agreement	4,893,851	—	4,893,851	—	—	—
Interests receivable	782,679	782,679	—	—	—	—
Loans and advances to customers (Note (i))	55,518,299	—	27,253,016	24,012,811	4,192,433	60,039
Investments (Note (ii))	62,011,446	—	10,812,912	31,463,592	19,328,942	406,000
Others	1,293,656	1,293,656	—	—	—	—
	165,100,107	2,479,842	82,631,448	56,001,403	23,521,375	466,039
Liabilities						
Borrowing from the central bank	2,511,829	—	1,101,419	1,410,410	—	—
Deposits from banks and other financial institutions	37,049,549	—	7,245,683	23,732,830	6,071,036	—
Placements from banks and other financial institutions	80,000	—	80,000	—	—	—
Financial assets sold under repurchase agreements	2,010,428	—	2,010,428	—	—	—
Deposits from customers	110,541,618	—	64,505,530	40,549,273	5,486,615	200
Interests payable	1,262,939	1,262,939	—	—	—	—
Others	893,882	893,882	—	—	—	—
	154,350,245	2,156,821	74,943,060	65,692,513	11,557,651	200
Asset-liability gap	10,749,862	323,021	7,688,388	(9,691,110)	11,963,724	465,839

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as of the end of each of the Track Record Period by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

The Group (Continued)

	At December 31, 2015					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Cash and deposits with the central bank	23,548,717	423,087	23,125,630	—	—	—
Deposits with banks	26,573,765	—	25,541,099	1,032,666	—	—
Interests receivable	763,491	763,491	—	—	—	—
Loans and advances to customers (Note (i))	88,206,942	—	39,258,217	43,056,151	5,401,978	490,596
Investments (Note (ii))	70,846,437	—	14,909,856	25,892,740	28,797,749	1,246,092
Others	1,991,387	1,991,387	—	—	—	—
	211,930,739	3,177,965	102,834,802	69,981,557	34,199,727	1,736,688
Liabilities						
Borrowing from the central bank	4,344,671	—	1,159,081	3,185,590	—	—
Deposits from banks and other financial institutions	39,934,294	—	13,309,818	23,247,040	3,377,436	—
Placements from banks and other financial institutions	700,000	—	700,000	—	—	—
Financial assets sold under repurchase agreements	5,206,119	—	2,876,505	2,329,614	—	—
Deposits from customers	141,020,627	—	94,171,486	29,048,029	17,451,228	349,884
Interests payable	1,524,068	1,524,068	—	—	—	—
Debt securities issued	5,903,045	—	2,223,675	492,391	—	3,186,979
Others	1,203,199	1,203,199	—	—	—	—
	199,836,023	2,727,267	114,440,565	58,302,664	20,828,664	3,536,863
Asset-liability gap	12,094,716	450,698	(11,605,763)	11,678,893	13,371,063	(1,800,175)

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as of the end of each of the Track Record Period by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

The Group (Continued)

	At December 31, 2016					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Cash and deposits with the central bank	25,079,115	519,973	24,559,142	—	—	—
Deposits with banks	24,571,875	—	22,036,698	2,535,177	—	—
Financial assets held under resale agreement	498,086	—	498,086	—	—	—
Interests receivable	668,953	668,953	—	—	—	—
Loans and advances to customers (Note (i))	104,099,125	—	29,112,930	65,654,734	8,268,549	1,062,912
Investments (Note (ii))	87,116,195	—	16,658,360	29,119,196	35,368,765	5,969,874
Others	3,023,008	3,023,008	—	—	—	—
	245,056,357	4,211,934	92,865,216	97,309,107	43,637,314	7,032,786
Liabilities						
Borrowing from the central bank	5,692,924	—	2,267,924	3,425,000	—	—
Deposits from banks and other financial institutions	35,777,400	—	15,009,963	18,437,437	2,330,000	—
Financial assets sold under repurchase agreements	4,580,481	—	4,520,481	60,000	—	—
Deposits from customers	171,165,321	—	101,353,348	24,362,092	45,313,248	136,633
Interests payable	2,329,230	2,329,230	—	—	—	—
Debt securities issued	10,134,895	—	3,375,614	3,569,932	—	3,189,349
Others	2,032,462	2,032,462	—	—	—	—
	231,712,713	4,361,692	126,527,330	49,854,461	47,643,248	3,325,982
Asset-liability gap	13,343,644	(149,758)	(33,662,114)	47,454,646	(4,005,934)	3,706,804

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as of the end of each of the Track Record Period by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

The Group (Continued)

	At June 30, 2017					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Cash and deposits with the central bank	26,618,429	441,643	26,176,786	—	—	—
Deposits with banks	42,774,894	—	34,942,891	7,832,003	—	—
Financial assets held under resale agreement	15,749,214	—	15,749,214	—	—	—
Interests receivable	968,004	968,004	—	—	—	—
Loans and advances to customers (Note (i))	113,922,284	—	25,587,500	75,717,434	10,910,819	1,706,531
Investments (Note (ii))	65,221,571	—	11,859,278	22,268,125	26,976,080	4,118,088
Others	4,100,228	4,100,228	—	—	—	
	269,354,624	5,509,875	114,315,669	105,817,562	37,886,899	5,824,619
Liabilities						
Borrowing from the central bank	4,910,409	—	3,131,846	1,778,563	—	—
Deposits from banks and other financial institutions	28,609,844	—	9,772,844	18,237,000	600,000	—
Placements from banks and other financial institutions	50,000	—	—	—	50,000	—
Financial assets sold under repurchase agreements	7,572,908	—	7,572,908	—	—	—
Deposits from customers	186,931,485	—	117,354,719	14,497,361	55,072,491	6,914
Interests payable	3,335,923	3,335,923	—	—	—	—
Debt securities issued	21,456,417	—	5,670,713	9,597,912	2,997,202	3,190,590
Others	1,119,489	1,119,489	—	—	—	—
	253,986,475	4,455,412	143,503,030	44,110,836	58,719,693	3,197,504
Asset-liability gap	15,368,149	1,054,463	(29,187,361)	61,706,726	(20,832,794)	2,627,115

Notes:

(i) As of December 31, 2014, 2015 and 2016 and June 30, 2017, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of approximately RMB31,105,000, RMB1,061,595,000, RMB844,564,000 and RMB313,400,000 respectively.

(ii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as of the end of each of the Track Record Period by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

The Bank

	At December 31, 2014					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Cash and deposits with the central bank	21,063,718	372,802	20,690,916	—	—	—
Deposits with banks	19,273,344	—	18,783,344	490,000	—	—
Financial assets held under resale agreements	4,893,851	—	4,893,851	—	—	—
Interests receivable	780,065	780,065	—	—	—	—
Loans and advances to customers (Note (i))	55,161,407	—	27,191,750	23,751,296	4,158,568	59,793
Investments (Note (ii))	62,011,446	—	10,812,912	31,463,592	19,328,942	406,000
Others	1,309,349	1,309,349	—	—	—	—
	164,493,180	2,462,216	82,372,773	55,704,888	23,487,510	465,793
Liabilities						
Borrowings from the central bank	2,411,829	—	1,001,419	1,410,410	—	—
Deposits from banks and other financial institutions	37,203,130	—	7,399,264	23,732,830	6,071,036	—
Financial assets sold under repurchase agreements	2,010,428	—	2,010,428	—	—	—
Deposits from customers	109,998,119	—	64,058,246	40,477,957	5,461,716	200
Interests payable	1,260,611	1,260,611	—	—	—	—
Others	890,158	890,158	—	—	—	—
	153,774,275	2,150,769	74,469,357	65,621,197	11,532,752	200
Asset-liability gap	10,718,905	311,447	7,903,416	(9,916,309)	11,954,758	465,593

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as of the end of each of the Track Record Period by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

The Bank (Continued)

	At December 31, 2015					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Cash and deposits with the central bank	23,465,615	406,006	23,059,609	—	—	—
Deposits with banks	26,520,282	—	25,487,616	1,032,666	—	—
Interests receivable	761,812	761,812	—	—	—	—
Loans and advances to customers (Note (i))	87,606,564	—	39,147,308	42,600,784	5,373,162	485,310
Investments (Note (ii))	70,846,437	—	14,909,856	25,892,740	28,797,749	1,246,092
Others	2,004,868	2,004,868	—	—	—	—
	211,205,578	3,172,686	102,604,389	69,526,190	34,170,911	1,731,402
Liabilities						
Borrowing from the central bank	4,213,671	—	1,028,081	3,185,590	—	—
Deposits from banks and other financial institutions	39,974,704	—	13,350,228	23,247,040	3,377,436	—
Placements from banks and other financial institutions	700,000	—	700,000	—	—	—
Financial assets sold under repurchase agreements	5,206,119	—	2,876,505	2,329,614	—	—
Deposits from customers	140,435,287	—	93,730,540	28,946,724	17,408,140	349,883
Interests payable	1,519,106	1,519,106	—	—	—	—
Debt securities issued	5,903,045	—	2,223,675	492,391	—	3,186,979
Others	1,198,000	1,198,000	—	—	—	—
	199,149,932	2,717,106	113,909,029	58,201,359	20,785,576	3,536,862
Asset-liability gap	12,055,646	455,580	(11,304,640)	11,324,831	13,385,335	(1,805,460)

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as of the end of each of the Track Record Period by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

The Bank (Continued)

	At December 31, 2016					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Cash and deposits with the central bank	24,928,991	505,384	24,423,607	—	—	—
Deposits with banks	24,542,946	—	22,007,770	2,535,176	—	—
Financial assets held under resale agreements	498,086	—	498,086	—	—	—
Interests receivables	667,179	667,179	—	—	—	—
Loans and advances to customers (Note (i))	103,471,918	—	29,034,940	65,170,179	8,211,282	1,055,517
Investments (Note (ii))	87,116,195	—	16,658,360	29,119,196	35,368,765	5,969,874
Others	3,036,497	3,036,497	—	—	—	—
	244,261,812	4,209,060	92,622,763	96,824,551	43,580,047	7,025,391
Liabilities						
Borrowing from the central bank	5,632,924	—	2,207,924	3,425,000	—	—
Deposits from banks and other financial institutions	35,843,069	—	15,075,633	18,437,436	2,330,000	—
Financial assets sold under repurchase agreements	4,580,481	—	4,520,481	60,000	—	—
Deposits from customers	170,429,234	—	100,848,143	24,213,930	45,230,528	136,633
Interests payable	2,322,677	2,322,677	—	—	—	—
Debt securities issued	10,134,895	—	3,375,614	3,569,932	—	3,189,349
Others	2,022,282	2,022,282	—	—	—	—
	230,965,562	4,344,959	126,027,795	49,706,298	47,560,528	3,325,982
Asset-liability gap	13,296,250	(135,899)	(33,405,032)	47,118,253	(3,980,481)	3,699,409

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as of the end of each of the Track Record Period by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

The Bank (Continued)

	At June 30, 2017					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Cash and deposits with the central bank	26,516,062	426,948	26,089,114	—	—	—
Deposits with banks	42,508,827	—	34,676,824	7,832,003	—	—
Financial assets held under resale agreements	15,749,214	—	15,749,214	—	—	—
Interests receivables	965,544	965,544	—	—	—	—
Loans and advances to customers (Note (i))	113,270,616	—	25,413,743	75,341,654	10,814,894	1,700,325
Investments (Note (ii))	65,221,571	—	11,859,278	22,268,125	26,976,080	4,118,088
Others	4,113,625	4,113,625	—	—	—	—
	268,345,459	5,506,117	113,788,173	105,441,782	37,790,974	5,818,413
Liabilities						
Borrowings from the central bank	4,830,409	—	3,131,846	1,698,563	—	—
Deposits from banks and other financial institutions	28,639,657	—	9,802,657	18,237,000	600,000	—
Placements from banks and other financial institutions	50,000	—	—	—	50,000	—
Financial assets sold under repurchase agreements	7,572,908	—	7,572,908	—	—	—
Deposits from customers	186,050,391	—	116,809,021	14,274,407	54,960,049	6,914
Interests payable	3,326,487	3,326,487	—	—	—	—
Debt securities issued	21,456,417	—	5,670,714	9,597,912	2,997,201	3,190,590
Others	1,108,801	1,108,801	—	—	—	—
	253,035,070	4,435,288	142,987,146	43,807,882	58,607,250	3,197,504
Asset-liability gap	15,310,389	1,070,829	(29,198,973)	61,633,900	(20,816,276)	2,629,909

Notes:

(i) As of December 31, 2014, 2015 and 2016 and June 30, 2017, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of approximately RMB28,383,000, RMB1,043,018,000, RMB839,190,000 and RMB310,552,000 respectively.

(ii) Investments include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity.

The following tables demonstrate the sensitivity as of December 31, 2014, 2015 and 2016 and June 30, 2017, assuming other variables remain unchanged, an increase in estimated interest rate, of the Group's and the Bank's net profit and equity.

The Group

	Effect on net profit			
	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Change in basis points				
Increase 100 basis points	(7,926)	(101,506)	(182,472)	(106,045)
Decrease 100 basis points	7,926	101,506	182,472	106,045

	Effect on equity			
	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Change in basis points				
Increase 100 basis points	(265,897)	(241,014)	82,589	508,116
Decrease 100 basis points	265,897	241,014	(82,589)	(508,116)

The Bank

	Effect on net profit			
	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Change in basis points				
Increase 100 basis points	(7,585)	(101,329)	(182,681)	(107,098)
Decrease 100 basis points	7,585	101,329	182,681	107,098

	Effect on equity			
	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Change in basis points				
Increase 100 basis points	(265,267)	(240,100)	83,132	508,298
Decrease 100 basis points	265,267	240,100	(83,132)	(508,298)

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of each of the Track Record Period apply to non-derivative financial instruments of the Group.
- At the end of each of the Track Record Period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months.
- There is a parallel shift in the yield curve with the changes in interest rates.
- There are no other changes to the assets and liabilities portfolio.
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's and the Bank's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

Foreign currency risk

The Group's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Group manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis.

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's and the Bank's currency exposures as of the end of each of the Track Record Period are as follows:

The Group

	At December 31, 2014			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	21,172,266	184	3	21,172,453
Deposits with banks	19,366,833	60,812	78	19,427,723
Financial assets held under resale agreements	4,893,851	—	—	4,893,851
Interests receivables	782,679	—	—	782,679
Loans and advances to customers	55,518,299	—	—	55,518,299
Available-for-sale financial assets	12,244,728	—	—	12,244,728
Held-to-maturity assets	1,852,107	—	—	1,852,107
Debt securities classified as receivables	47,914,611	—	—	47,914,611
Others	1,293,656	—	—	1,293,656
	165,039,030	60,996	81	165,100,107
Liabilities				
Borrowing from the central bank	2,511,829	—	—	2,511,829
Deposits from banks and other financial institutions	37,049,549	—	—	37,049,549
Placements from banks and other financial institutions	80,000	—	—	80,000
Financial assets sold under repurchase agreements	2,010,428	—	—	2,010,428
Deposits from customers	110,541,618	—	—	110,541,618
Interests payable	1,262,939	—	—	1,262,939
Others	893,882	—	—	893,882
	154,350,245	—	—	154,350,245
Net position	10,688,785	60,996	81	10,749,862
Off-balance sheet credit commitments	42,778,115	—	—	42,778,115

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's and the Bank's currency exposures as of the end of each of the Track Record Period are as follows: (Continued)

The Group (Continued)

	At December 31, 2015			
	RMB'000	USD	Others	Total
		(RMB'000 equivalent)	(RMB'000 equivalent)	(RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	23,548,594	92	31	23,548,717
Deposits with banks	26,461,989	111,360	416	26,573,765
Financial assets at fair value through profit or loss	744,321	—	—	744,321
Interests receivables	763,351	140	—	763,491
Loans and advances to customers	88,206,942	—	—	88,206,942
Available-for-sale financial assets	5,264,263	—	—	5,264,263
Held-to-maturity assets	4,600,543	—	—	4,600,543
Debt securities classified as receivables	60,237,310	—	—	60,237,310
Others	1,991,387	—	—	1,991,387
	211,818,700	111,592	447	211,930,739
Liabilities				
Borrowing from the central bank	4,344,671	—	—	4,344,671
Deposits from banks and other financial institutions	39,934,294	—	—	39,934,294
Placements from banks and other financial institutions	700,000	—	—	700,000
Financial assets sold under repurchase agreements	5,206,119	—	—	5,206,119
Deposits from customers	141,020,627	—	—	141,020,627
Interests payable	1,524,068	—	—	1,524,068
Debt securities issued	5,903,045	—	—	5,903,045
Others	1,203,199	—	—	1,203,199
	199,836,023	—	—	199,836,023
Net position	11,982,677	111,592	447	12,094,716
Off-balance sheet credit commitments	40,106,053	—	—	40,106,053

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's and the Bank's currency exposures as of the end of each of the Track Record Period are as follows: (Continued)

The Group (Continued)

	At December 31, 2016			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	25,079,080	2	33	25,079,115
Deposits with banks	24,438,779	117,706	15,390	24,571,875
Financial assets held under resale agreements	498,086	—	—	498,086
Financial assets at fair value through profit or loss	539,603	—	—	539,603
Interest receivable	668,505	448	—	668,953
Loans and advances to customers	104,099,125	—	—	104,099,125
Available-for-sale financial assets	6,199,558	—	—	6,199,558
Held-to-maturity assets	6,729,095	—	—	6,729,095
Debt securities classified as receivables	73,647,939	—	—	73,647,939
Others	3,023,008	—	—	3,023,008
	244,922,778	118,156	15,423	245,056,357
Liabilities				
Borrowing from the central bank	5,692,924	—	—	5,692,924
Deposits from banks and other financial institutions	35,762,787	—	14,613	35,777,400
Financial assets sold under repurchase agreements	4,580,481	—	—	4,580,481
Deposits from customers	171,165,321	—	—	171,165,321
Interests payable	2,329,230	—	—	2,329,230
Debt securities issued	10,134,895	—	—	10,134,895
Others	2,032,462	—	—	2,032,462
	231,698,100	—	14,613	231,712,713
Net position	13,224,678	118,156	810	13,343,644
Off-balance sheet credit commitments	31,591,649	—	—	31,591,649

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's and the Bank's currency exposures as of the end of each of the Track Record Period are as follows: (Continued)

The Group (Continued)

	At June 30, 2017			
	RMB'000	USD	Others	Total
		(RMB'000 equivalent)	(RMB'000 equivalent)	(RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	26,618,393	2	34	26,618,429
Deposits with banks	42,501,208	205,733	67,953	42,774,894
Financial assets held under resale agreements	15,749,214	—	—	15,749,214
Financial assets at fair value through profit or loss	541,850	—	—	541,850
Interests receivables	967,441	563	—	968,004
Loans and advances to customers	113,922,284	—	—	113,922,284
Available-for-sale financial assets	10,288,468	—	—	10,288,468
Held-to-maturity assets	6,814,822	—	—	6,814,822
Debt securities classified as receivables	47,576,431	—	—	47,576,431
Others	4,100,228	—	—	4,100,228
	269,080,339	206,298	67,987	269,354,624
Liabilities				
Borrowing from the central bank	4,910,409	—	—	4,910,409
Deposits from banks and other financial institutions	28,566,917	2,765	40,162	28,609,844
Financial assets sold under repurchase agreements	7,572,908	—	—	7,572,908
Placements from banks and other financial institutions	50,000	—	—	50,000
Deposits from customers	186,931,485	—	—	186,931,485
Interests payable	3,335,923	—	—	3,335,923
Debt securities issued	21,456,417	—	—	21,456,417
Others	1,119,489	—	—	1,119,489
	253,943,548	2,765	40,162	253,986,475
Net position	15,136,791	203,533	27,825	15,368,149
Off-balance sheet credit commitments	28,356,723	—	—	28,356,723

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's and the Bank's currency exposures as of the end of each of the Track Record Period are as follows: (Continued)

The Bank

	At December 31, 2014			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	21,063,531	184	3	21,063,718
Deposits with banks	19,212,454	60,812	78	19,273,344
Financial assets held under resale agreements	4,893,851	—	—	4,893,851
Interests receivables	780,065	—	—	780,065
Loans and advances to customers	55,161,407	—	—	55,161,407
Available-for-sale financial assets	12,244,728	—	—	12,244,728
Held-to-maturity assets	1,852,107	—	—	1,852,107
Debt securities classified as receivables	47,914,611	—	—	47,914,611
Others	1,309,349	—	—	1,309,349
	164,432,103	60,996	81	164,493,180
Liabilities				
Borrowing from the central bank	2,411,829			2,411,829
Deposits from banks and other financial institutions	37,203,130	—	—	37,203,130
Financial assets sold under repurchase agreements	2,010,428	—	—	2,010,428
Deposits from customers	109,998,119	—	—	109,998,119
Interests payable	1,260,611	—	—	1,260,611
Others	890,158	—	—	890,158
	153,774,275	—	—	153,774,275
Net position	10,657,828	60,996	81	10,718,905
Off-balance sheet credit commitments	42,778,115	—	—	42,778,115

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's and the Bank's currency exposures as of the end of each of the Track Record Period are as follows: (Continued)

The Bank (Continued)

	At December 31, 2015			
	RMB'000	USD	Others	Total
		(RMB'000 equivalent)	(RMB'000 equivalent)	(RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	23,465,492	92	31	23,465,615
Deposits with banks	26,408,506	111,360	416	26,520,282
Financial assets at fair value through profit or loss	744,321	—	—	744,321
Interests receivables	761,672	140	—	761,812
Loans and advances to customers	87,606,564	—	—	87,606,564
Available-for-sale financial assets	5,264,263	—	—	5,264,263
Held-to-maturity assets	4,600,543	—	—	4,600,543
Debt securities classified as receivables	60,237,310	—	—	60,237,310
Others	2,004,868	—	—	2,004,868
	211,093,539	111,592	447	211,205,578
Liabilities				
Borrowing from the central bank	4,213,671			4,213,671
Deposits from banks and other financial institutions	39,974,704	—	—	39,974,704
Placements from banks and other financial institutions	700,000	—	—	700,000
Financial assets sold under repurchase agreements	5,206,119	—	—	5,206,119
Deposits from customers	140,435,287	—	—	140,435,287
Interests payable	1,519,106	—	—	1,519,106
Debt securities issued	5,903,045	—	—	5,903,045
Others	1,198,000	—	—	1,198,000
	199,149,932	—	—	199,149,932
Net position	11,943,607	111,592	447	12,055,646
Off-balance sheet credit commitments	40,106,053	—	—	40,106,053

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's and the Bank's currency exposures as of the end of each of the Track Record Period are as follows: (Continued)

The Bank (Continued)

	At December 31, 2016			
	RMB'000	USD	Others	Total
		(RMB'000 equivalent)	(RMB'000 equivalent)	(RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	24,928,956	2	33	24,928,991
Deposits with banks	24,409,850	117,706	15,390	24,542,946
Financial assets held under resale agreements	498,086	—	—	498,086
Financial assets at fair value through profit or loss	539,603	—	—	539,603
Interests receivables	666,731	448	—	667,179
Loans and advances to customers	103,471,918	—	—	103,471,918
Available-for-sale financial assets	6,199,558	—	—	6,199,558
Held-to-maturity assets	6,729,095	—	—	6,729,095
Debt securities classified as receivables	73,647,939	—	—	73,647,939
Others	3,036,497	—	—	3,036,497
	244,128,233	118,156	15,423	244,261,812
Liabilities				
Borrowing from the central bank	5,632,924	—	—	5,632,924
Deposits from banks and other financial institutions	35,828,456	—	14,613	35,843,069
Financial assets sold under repurchase agreements	4,580,481	—	—	4,580,481
Deposits from customers	170,429,234	—	—	170,429,234
Interests payable	2,322,677	—	—	2,322,677
Debt securities issued	10,134,895	—	—	10,134,895
Others	2,022,282	—	—	2,022,282
	230,950,949	—	14,613	230,965,562
Net position	13,177,284	118,156	810	13,296,250
Off-balance sheet credit commitments	31,591,649	—	—	31,591,649

50 FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's and the Bank's currency exposures as of the end of each of the Track Record Period are as follows: (Continued)

The Bank (Continued)

	At June 30, 2017			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	26,516,027	2	33	26,516,062
Deposits with banks	42,235,141	205,733	67,953	42,508,827
Financial assets held under resale agreements	15,749,214	—	—	15,749,214
Financial assets at fair value through profit or loss	541,850	—	—	541,850
Interests receivables	964,981	563	—	965,544
Loans and advances to customers	113,270,616	—	—	113,270,616
Available-for-sale financial assets	10,288,468	—	—	10,288,468
Held-to-maturity assets	6,814,822	—	—	6,814,822
Debt securities classified as receivables	47,576,431	—	—	47,576,431
Others	4,113,625	—	—	4,113,625
	268,071,175	206,298	67,986	268,345,459
Liabilities				
Borrowing from the central bank	4,830,409	—	—	4,830,409
Deposits from banks and other financial institutions	28,596,730	2,765	40,162	28,639,657
Placements from banks and other financial institutions	50,000	—	—	50,000
Financial assets sold under repurchase agreements	7,572,908	—	—	7,572,908
Deposits from customers	186,050,391	—	—	186,050,391
Interests payable	3,326,487	—	—	3,326,487
Debt securities issued	21,456,417	—	—	21,456,417
Others	1,108,801	—	—	1,108,801
	252,992,143	2,765	40,162	253,035,070
Net position	15,079,032	203,533	27,824	15,310,389
Off-balance sheet credit commitments	28,356,723	—	—	28,356,723

As the net position of the Group's and the Bank's foreign currency is immaterial, the foreign currency risk is immaterial.

50 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximization and cost minimization to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The planning and finance department is responsible for the development of liquidity risk management strategies, policies, procedures and limits, and routine supervision and monitoring of liquidity risks. It establishes and implements internal control systems relating to liquidity risk management, such as Liquidity Risk Management Measures (流動性風險管理辦法) and Contingency Plan for Liquidity Risks (流動性風險應急預案). The planning and finance department is also responsible for setting annual liquidity management objectives and liquidity management profile plans. It also monitors and adjusts these plans on a quarterly basis in order to maintain a reasonable assets and liabilities structure.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

50 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group and the Bank into relevant maturity groupings based on the remaining periods to repayment at the end of each of the Track Record Period:

The Group

	At December 31, 2014						
	Indefinite (Note)	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Cash and deposits with the central bank	19,270,440	1,902,013	—	—	—	—	21,172,453
Deposits with banks	—	2,822,723	16,080,000	525,000	—	—	19,427,723
Financial assets held under resale agreements	—	—	4,893,851	—	—	—	4,893,851
Interests receivables	—	12,566	467,088	303,025	—	—	782,679
Loans and advances to customers	121,348	316,845	8,825,693	26,913,201	17,741,131	1,600,081	55,518,299
Available-for-sale financial assets	10,000	—	6,186,823	5,944,134	103,771	—	12,244,728
Held-to-maturity investments	—	—	—	—	1,456,107	396,000	1,852,107
Debt securities classified as receivables	—	—	4,626,088	25,519,458	17,769,065	—	47,914,611
Others	1,170,359	113,823	—	—	9,474	—	1,293,656
	20,572,147	5,167,970	41,079,543	59,204,818	37,079,548	1,996,081	165,100,107
Liabilities							
Borrowing from the central bank	—	—	1,101,419	1,410,410	—	—	2,511,829
Deposits from banks and other financial institutions	—	247,593	6,998,090	23,732,830	6,071,036	—	37,049,549
Placements from banks and other financial institutions	—	80,000	—	—	—	—	80,000
Financial assets sold under repurchase agreements	—	—	2,010,428	—	—	—	2,010,428
Deposits from customers	—	46,495,772	18,009,759	40,549,272	5,486,615	200	110,541,618
Interests payable	—	702,318	155,200	263,409	142,012	—	1,262,939
Others	943	321,257	561,752	—	—	9,930	893,882
	943	47,846,940	28,836,648	65,955,921	11,699,663	10,130	154,350,245
Long/(short) position	20,571,204	(42,678,970)	12,242,895	(6,751,103)	25,379,885	1,985,951	10,749,862

50 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group and the Bank into relevant maturity groupings based on the remaining periods to repayment at the end of each of the Track Record Period: (Continued)

The Group (Continued)

	At December 31, 2015						
	Indefinite (Note)	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Cash and deposits with the central bank	22,211,771	1,336,946	—	—	—	—	23,548,717
Deposits with banks	—	7,602,631	17,938,468	1,032,666	—	—	26,573,765
Financial assets at fair value through profit or loss	—	—	148,792	495,313	100,216	—	744,321
Interests receivables	—	15,519	509,766	238,206	—	—	763,491
Loans and advances to customers	1,135,782	173,522	13,226,448	47,870,944	22,679,275	3,120,971	88,206,942
Available-for-sale financial assets	10,000	—	740,353	1,775,232	2,150,376	588,302	5,264,263
Held-to-maturity investments	—	—	149,233	—	3,803,520	647,790	4,600,543
Debt securities classified as receivables	—	—	13,871,478	23,622,195	22,743,637	—	60,237,310
Others	1,931,401	5	—	—	59,981	—	1,991,387
	25,288,954	9,128,623	46,584,538	75,034,556	51,537,005	4,357,063	211,930,739
Liabilities							
Borrowing from the central bank	—	—	1,159,081	3,185,590	—	—	4,344,671
Deposits from banks and other financial institutions	—	141,818	13,168,000	23,247,040	3,377,436	—	39,934,294
Placements from banks and other financial institutions	—	—	700,000	—	—	—	700,000
Financial assets sold under repurchase agreements	—	—	2,876,505	2,329,614	—	—	5,206,119
Deposits from customers	—	71,007,375	23,164,111	29,048,029	17,451,228	349,884	141,020,627
Interests payable	—	884,515	201,306	438,247	—	—	1,524,068
Debt securities issued	—	—	2,223,675	492,391	—	3,186,979	5,903,045
Others	14,408	279,894	895,677	—	—	13,220	1,203,199
	14,408	72,313,602	44,388,355	58,740,911	20,828,664	3,550,083	199,836,023
Long/(short) position	25,274,546	(63,184,979)	2,196,183	16,293,645	30,708,341	806,980	12,094,716

50 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group and the Bank into relevant maturity groupings based on the remaining periods to repayment at the end of each of the Track Record Period: (Continued)

The Group (Continued)

	At December 31, 2016						
	Indefinite (Note)	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Cash and deposits with the central bank	21,502,222	3,576,893	—	—	—	—	25,079,115
Deposits with banks	—	8,370,218	13,666,480	2,535,177	—	—	24,571,875
Financial assets held under resale agreements	—	—	498,086	—	—	—	498,086
Financial assets at fair value through profit or loss	—	—	—	—	539,603	—	539,603
Interests receivables	—	15,303	372,256	281,021	372	1	668,953
Loans and advances to customers	872,590	106,960	21,116,526	43,568,700	32,861,442	5,572,907	104,099,125
Available-for-sale financial assets	827,497	—	994,803	796,901	1,679,334	1,901,023	6,199,558
Held-to-maturity investments	—	—	330,436	1,231,012	4,771,131	396,516	6,729,095
Debt securities classified as receivables	—	100,000	15,233,120	27,091,283	28,283,536	2,940,000	73,647,939
Others	2,965,324	111	—	—	57,573	—	3,023,008
	26,167,633	12,169,485	52,211,707	75,504,094	68,192,991	10,810,447	245,056,357
Liabilities							
Borrowing from the central bank	—	—	2,267,924	3,425,000	—	—	5,692,924
Deposits from banks and other financial institutions	—	521,963	14,488,000	18,437,437	2,330,000	—	35,777,400
Financial assets sold under repurchase agreements	—	—	4,520,481	60,000	—	—	4,580,481
Deposits from customers	—	80,013,780	21,339,567	24,362,093	45,313,248	136,633	171,165,321
Interests payable	—	2,121,130	105,688	102,412	—	—	2,329,230
Debt securities issued	—	—	3,375,614	3,569,932	—	3,189,349	10,134,895
Others	—	505,317	1,409,452	88,303	—	29,390	2,032,462
	—	83,162,190	47,506,726	50,045,177	47,643,248	3,355,372	231,712,713
Long/(short) position	26,167,633	(70,992,705)	4,704,981	25,458,917	20,549,743	7,455,075	13,343,644

50 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group and the Bank into relevant maturity groupings based on the remaining periods to repayment at the end of each of the Track Record Period: (Continued)

The Group (Continued)

	At June 30, 2017						
	Indefinite (Note)	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Cash and deposits with the central bank	22,151,621	4,466,808	—	—	—	—	26,618,429
Deposits with banks	—	5,977,520	28,965,371	7,832,003	—	—	42,774,894
Financial assets held under resale agreements	—	—	15,749,214	—	—	—	15,749,214
Financial assets at fair value through profit or loss	—	—	—	—	541,850	—	541,850
Interests receivables	—	—	451,103	244,186	245,743	26,972	968,004
Loans and advances to customers	1,727,518	768,936	14,890,684	53,404,048	35,111,252	8,019,846	113,922,284
Available-for-sale financial assets	314,158	—	372,173	3,974,149	3,680,538	1,947,450	10,288,468
Held-to-maturity investments	—	—	156,114	1,370,431	4,891,639	396,638	6,814,822
Debt securities classified as receivables	—	—	11,330,991	16,640,054	17,841,386	1,764,000	47,576,431
Others	2,517,659	441	—	1,379,159	202,969	—	4,100,228
	26,710,956	11,213,705	71,915,650	84,844,030	62,515,377	12,154,906	269,354,624
Liabilities							
Borrowing from the central bank	—	—	3,131,846	1,778,563	—	—	4,910,409
Deposits from banks	—	296,844	9,476,000	18,237,000	600,000	—	28,609,844
Placements from banks and other financial institutions	—	—	—	—	50,000	—	50,000
Financial assets sold under repurchase agreements	—	—	7,572,908	—	—	—	7,572,908
Deposits from customers	—	103,482,411	13,872,308	14,497,361	55,072,492	6,913	186,931,485
Interests payable	—	2,962,433	101,783	152,675	119,032	—	3,335,923
Debt securities issued	—	—	5,670,714	9,597,912	2,997,201	3,190,590	21,456,417
Others	—	368,117	751,372	—	—	—	1,119,489
	—	107,109,805	40,576,931	44,263,511	58,838,725	3,197,503	253,986,475
Long/(short) position	26,710,956	(95,896,100)	31,338,719	40,580,519	3,676,652	8,957,403	15,368,149

50 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group and the Bank into relevant maturity groupings based on the remaining periods to repayment at the end of each of the Track Record Period: (Continued)

The Bank

	At December 31, 2014						
	Indefinite (Note)	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Cash and deposits with the central bank	19,199,786	1,863,932	—	—	—	—	21,063,718
Deposits with banks	—	2,823,344	15,960,000	490,000	—	—	19,273,344
Financial assets held under resale agreements	—	—	4,893,851	—	—	—	4,893,851
Interests receivables	—	12,535	465,950	301,580	—	—	780,065
Loans and advances to customers	118,800	316,670	8,769,899	26,648,983	17,707,220	1,599,835	55,161,407
Available-for-sale financial assets	10,000	—	6,186,823	5,944,134	103,771	—	12,244,728
Held-to-maturity investments	—	—	—	—	1,456,107	396,000	1,852,107
Debt securities classified as receivables	—	—	4,626,088	25,519,458	17,769,065	—	47,914,611
Others	1,186,052	113,823	—	—	9,474	—	1,309,349
	20,514,638	5,130,304	40,902,611	58,904,155	37,045,637	1,995,835	164,493,180
Liabilities							
Deposits from banks and other financial institutions	—	—	1,001,419	1,410,410	—	—	2,411,829
Placements from banks and other financial institutions	—	401,174	6,998,090	23,732,830	6,071,036	—	37,203,130
Financial assets sold under repurchase agreements	—	—	2,010,428	—	—	—	2,010,428
Deposits from customers	—	46,091,050	17,967,196	40,477,957	5,461,716	200	109,998,119
Interests payable	—	700,059	155,132	263,408	142,012	—	1,260,611
Others	943	324,935	554,350	—	—	9,930	890,158
	943	47,517,218	28,686,615	65,884,605	11,674,764	10,130	153,774,275
Long/(short) position	20,513,695	(42,386,914)	12,215,996	(6,980,450)	25,370,873	1,985,705	10,718,905

50 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group and the Bank into relevant maturity groupings based on the remaining periods to repayment at the end of each of the Track Record Period: (Continued)

The Bank (Continued)

	At December 31, 2015						
	Indefinite (Note)	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Cash and deposits with the central bank	22,162,017	1,303,598	—	—	—	—	23,465,615
Deposits with banks	—	7,575,148	17,912,468	1,032,666	—	—	26,520,282
Financial assets at fair value through profit or loss	—	—	148,792	495,313	100,216	—	744,321
Interests receivables	—	15,494	508,112	238,206	—	—	761,812
Loans and advances to customers	1,115,695	173,367	13,138,614	47,412,868	22,650,334	3,115,686	87,606,564
Available-for-sale financial assets	10,000	—	740,353	1,775,232	2,150,376	588,302	5,264,263
Held-to-maturity investments	—	—	149,233	—	3,803,520	647,790	4,600,543
Debt securities classified as receivables	—	—	13,871,478	23,622,195	22,743,637	—	60,237,310
Others	1,944,883	5	—	—	59,980	—	2,004,868
	25,232,595	9,067,612	46,469,050	74,576,480	51,508,063	4,351,778	211,205,578
Liabilities							
Deposits from banks and other financial institutions	—	—	1,028,081	3,185,590	—	—	4,213,671
Placements from banks and other financial institutions	—	182,228	13,168,000	23,247,040	3,377,436	—	39,974,704
Placements from banks and other financial institutions	—	—	700,000	—	—	—	700,000
Financial assets sold under repurchase agreements	—	—	2,876,505	2,329,614	—	—	5,206,119
Deposits from customers	—	70,645,560	23,084,980	28,946,724	17,408,140	349,883	140,435,287
Interests payables	—	879,618	201,241	438,247	—	—	1,519,106
Debt securities issued	—	—	2,223,675	492,391	—	3,186,979	5,903,045
Others	14,408	279,894	890,478	—	—	13,220	1,198,000
	14,408	71,987,300	44,172,960	58,639,606	20,785,576	3,550,082	199,149,932
Long/(short) position	25,218,187	(62,919,688)	2,296,090	15,936,874	30,722,487	801,696	12,055,646

50 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group and the Bank into relevant maturity groupings based on the remaining periods to repayment at the end of each of the Track Record Period: (Continued)

The Bank (Continued)

	At December 31, 2016						
	Indefinite (Note)	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Cash and deposits with the central bank	21,445,155	3,483,836	—	—	—	—	24,928,991
Deposits with banks	—	8,371,290	13,636,479	2,535,177	—	—	24,542,946
Financial assets held under resale agreements	—	—	498,086	—	—	—	498,086
Financial assets at fair value through profit or loss	—	—	—	—	539,603	—	539,603
Interests receivables	—	15,290	370,495	281,021	372	1	667,179
Loans and advances to customers	866,390	106,960	21,050,020	43,102,231	32,799,952	5,546,365	103,471,918
Available-for-sale financial assets	827,496	—	994,803	796,902	1,679,334	1,901,023	6,199,558
Held-to-maturity investments	—	—	330,436	1,231,012	4,771,131	396,516	6,729,095
Debt securities classified as receivables	—	100,000	15,233,120	27,091,283	28,283,536	2,940,000	73,647,939
Others	2,978,927	111	—	—	57,459	—	3,036,497
	26,117,968	12,077,487	52,113,439	75,037,626	68,131,387	10,783,905	244,261,812
Liabilities							
Deposits from banks and other financial institutions	—	—	2,207,924	3,425,000	—	—	5,632,924
Placements from banks and other financial institutions	—	587,633	14,488,000	18,437,436	2,330,000	—	35,843,069
Financial assets sold under repurchase agreements	—	—	4,520,481	60,000	—	—	4,580,481
Deposits from customers	—	79,627,387	21,220,756	24,213,930	45,230,528	136,633	170,429,234
Interest payable	—	2,114,576	105,689	102,412	—	—	2,322,677
Debt securities issued	—	—	3,375,614	3,569,932	—	3,189,349	10,134,895
Others	—	502,467	1,402,122	88,303	—	29,390	2,022,282
	—	82,832,063	47,320,586	49,897,013	47,560,528	3,355,372	230,965,562
Long/(short) position	26,117,968	(70,754,576)	4,792,853	25,140,613	20,570,859	7,428,533	13,296,250

50 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group and the Bank into relevant maturity groupings based on the remaining periods to repayment at the end of each of the Track Record Period: (Continued)

The Bank (Continued)

	At June 30, 2017						
	Indefinite (Note)	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Cash and deposits with the central bank	22,075,439	4,440,623	—	—	—	—	26,516,062
Deposits with banks	—	5,976,454	28,700,371	7,832,002	—	—	42,508,827
Financial assets held under resale agreements	—	—	15,749,214	—	—	—	15,749,214
Financial assets at fair value through profit or loss	—	—	—	—	541,850	—	541,850
Interest receivable	—	—	448,643	244,186	245,743	26,972	965,544
Loans and advances to customers	1,721,616	768,379	14,733,426	53,056,841	35,009,348	7,981,006	113,270,616
Available-for-sale financial assets	314,158	—	372,173	3,974,150	3,680,538	1,947,449	10,288,468
Held-to-maturity investments	—	—	156,114	1,370,431	4,891,639	396,638	6,814,822
Debt securities classified as receivables	—	—	11,330,991	16,640,054	17,841,386	1,764,000	47,576,431
Others	2,534,771	440	—	1,379,159	199,255	—	4,113,625
	26,645,984	11,185,896	71,490,932	84,496,823	62,409,759	12,116,065	268,345,459
Liabilities							
Borrowing from the central bank	—	—	3,131,846	1,698,563	—	—	4,830,409
Deposits from banks and other financial institutions	—	326,657	9,476,000	18,237,000	600,000	—	28,639,657
Placements from banks and other financial institutions	—	—	—	—	50,000	—	50,000
Financial assets sold under repurchase agreements	—	—	7,572,908	—	—	—	7,572,908
Deposits from customers	—	103,033,474	13,775,547	14,274,407	54,960,049	6,914	186,050,391
Interest payable	—	2,953,007	101,773	152,675	119,032	—	3,326,487
Debt securities issued	—	—	5,670,714	9,597,912	2,997,201	3,190,590	21,456,417
Others	—	364,797	744,004	—	—	—	1,108,801
	—	106,677,935	40,472,792	43,960,557	58,726,282	3,197,504	253,035,070
Long/(short) position	26,645,984	(95,492,039)	31,018,140	40,536,266	3,683,477	8,918,561	15,310,389

Note: Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments are listed in the category of indefinite.

50 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments at the end of each of the Track Record Period:

The Group

	At December 31, 2014						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years and indefinite
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	2,511,829	2,538,210	—	1,112,787	1,420,393	5,030	—
Deposits from banks	37,049,549	39,024,380	247,599	7,376,367	24,830,145	6,570,269	—
Placements from bank and other financial institutions	80,000	80,000	80,000	—	—	—	—
Financial assets sold under repurchase agreements	2,010,428	2,010,428	—	2,010,428	—	—	—
Deposits from customers	110,541,618	111,806,037	46,502,238	18,220,953	41,114,548	5,968,053	245
Other financial liabilities	893,882	893,882	321,257	561,752	—	—	10,873
	153,087,306	156,352,937	47,151,094	29,282,287	67,365,086	12,543,352	11,118
Off-balance sheet credit commitments	—	43,104,675	102,560	18,586,121	24,414,632	1,362	—

	At December 31, 2015						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years and indefinite
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	4,344,671	4,402,686	—	1,188,213	3,214,473	—	—
Deposits from banks	39,934,294	41,632,822	141,818	13,539,666	24,373,820	3,577,518	—
Placements from bank and other financial institutions	700,000	700,320	—	700,320	—	—	—
Financial assets sold under repurchase agreements	5,206,119	5,206,933	—	2,877,319	2,329,614	—	—
Deposits from customers	141,020,627	145,374,252	71,016,142	23,315,750	29,551,643	21,063,592	427,125
Debt securities issued	5,903,045	8,490,000	—	2,230,000	756,000	1,024,000	4,480,000
Other financial liabilities	1,203,199	1,203,199	279,894	895,677	—	—	27,628
	198,311,955	207,010,212	71,437,854	44,746,945	60,225,550	25,665,110	4,934,753
Off-balance sheet credit commitments	—	40,272,574	131,526	14,855,842	25,097,896	187,310	—

50 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments at the end of each of the Track Record Period: (Continued)

The Group (Continued)

	At December 31, 2016						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years and indefinite
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	5,692,924	5,755,567	—	2,301,042	3,454,525	—	—
Deposits from banks	35,777,400	36,757,744	521,963	14,766,858	19,069,684	2,399,239	—
Placements from bank and other financial institutions	—	—	—	—	—	—	—
Financial assets sold under repurchase agreements	4,580,481	4,582,308	—	4,522,308	60,000	—	—
Deposits from customers	171,165,321	180,632,358	80,024,654	21,455,914	24,671,774	54,313,294	166,722
Debt securities issued	10,134,895	12,554,000	—	3,400,000	3,906,000	1,024,000	4,224,000
Other financial liabilities	2,032,462	2,032,462	505,317	1,409,452	88,303	—	29,390
	229,383,483	242,314,439	81,051,934	47,855,574	51,250,286	57,736,533	4,420,112
Off-balance sheet credit commitments	—	31,824,280	349,807	11,351,823	20,112,179	10,471	—

	At June 30, 2017						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years and indefinite
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	4,910,409	4,954,894	—	3,150,140	1,804,754	—	—
Deposits from banks	28,609,844	29,436,009	296,844	9,721,806	18,790,051	627,308	—
Placements from bank and other financial institutions	50,000	56,774	—	599	1,178	54,997	—
Financial assets sold under repurchase agreements	7,572,908	7,590,790	—	7,590,790	—	—	—
Deposits from customers	186,931,485	208,537,451	103,537,556	19,547,512	18,446,416	67,005,962	5
Debt securities issued	21,456,417	23,562,700	—	5,736,700	10,092,200	4,044,200	3,689,600
Other financial liabilities	1,119,489	1,119,490	368,118	751,372	—	—	—
	250,650,552	275,258,108	104,202,518	46,498,919	49,134,599	71,732,467	3,689,605
Off-balance sheet credit commitments	—	28,356,723	237,880	8,041,383	19,241,688	835,372	400

50 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments at the end of each of the Track Record Period: (Continued)

The Bank

	At December 31, 2014						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years and indefinite
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	2,411,829	2,437,688	—	1,012,265	1,420,393	5,030	—
Deposits from banks	37,203,130	39,177,955	401,174	7,376,367	24,830,145	6,570,269	—
Financial assets sold under repurchase agreements	2,010,428	2,010,428	—	2,010,428	—	—	—
Deposits from customers	109,998,119	111,256,991	46,097,487	18,177,592	41,040,742	5,940,925	245
Other financial liabilities	890,158	890,158	324,935	554,350	—	—	10,873
	152,513,664	155,773,220	46,823,596	29,131,002	67,291,280	12,516,224	11,118
Off-balance sheet credit commitments	—	43,104,675	102,560	18,586,121	24,414,632	1,362	—

	At December 31, 2015						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years and indefinite
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	4,213,671	4,271,024	—	1,056,551	3,214,473	—	—
Deposits from banks	39,974,704	41,673,231	182,227	13,539,666	24,373,820	3,577,518	—
Placements from bank and other financial institutions	700,000	700,320	—	700,320	—	—	—
Financial assets sold under repurchase agreements	5,206,119	5,206,933	—	2,877,319	2,329,614	—	—
Deposits from customers	140,435,287	144,777,423	70,654,267	23,234,633	29,447,203	21,014,196	427,124
Debt securities issued	5,903,045	8,490,000	—	2,230,000	756,000	1,024,000	4,480,000
Other financial liabilities	1,198,000	1,198,000	279,895	890,477	—	—	27,628
	197,630,826	206,316,931	71,116,389	44,528,966	60,121,110	25,615,714	4,934,752
Off-balance sheet credit commitments	—	40,272,574	131,526	14,855,842	25,097,896	187,310	—

50 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments at the end of each of the Track Record Period: (Continued)

The Bank (Continued)

	At December 31, 2016						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years and indefinite
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	5,632,924	5,695,353	—	2,240,828	3,454,525	—	—
Deposits from banks	35,843,069	36,823,414	587,633	14,766,858	19,069,684	2,399,239	—
Financial assets sold under repurchase agreements	4,580,481	4,582,308	—	4,522,308	60,000	—	—
Deposits from customers	170,429,234	179,880,297	79,638,213	21,334,985	24,519,548	54,220,829	166,722
Debt securities issued	10,134,895	12,554,000	—	3,400,000	3,906,000	1,024,000	4,224,000
Other financial liabilities	2,022,282	2,022,282	502,467	1,402,122	88,303	—	29,390
	228,642,885	241,557,654	80,728,313	47,667,101	51,098,060	57,644,068	4,420,112
Off-balance sheet credit commitments	—	31,824,280	349,807	11,351,823	20,112,179	10,471	—

	At June 30, 2017						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years and indefinite
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Borrowing from the central bank	4,830,409	4,873,905	—	3,149,787	1,724,118	—	—
Deposits from banks	28,639,657	29,465,822	326,657	9,721,806	18,790,051	627,308	—
Placements from bank and other financial institutions	50,000	56,774	—	599	1,178	54,997	—
Financial assets sold under repurchase agreements	7,572,908	7,590,790	—	7,590,790	—	—	—
Deposits from customers	186,050,391	207,636,238	103,088,593	19,449,563	18,217,168	66,880,909	5
Debt securities issued	21,456,417	23,562,700	—	5,736,700	10,092,200	4,044,200	3,689,600
Other financial liabilities	1,108,801	1,108,800	364,795	744,005	—	—	—
	249,708,583	274,295,029	103,780,045	46,393,250	48,824,715	71,607,414	3,689,605
Off-balance sheet credit commitments	—	28,356,723	237,880	8,041,383	19,241,688	835,372	400

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

50 FINANCIAL RISK MANAGEMENT (Continued)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, settlement, intermediary business and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

51 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of policy models or discounted cash flows.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the Track Record Period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on the present value of estimated future cash flows at the end of the Track Record Period. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the Track Record Period.

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBoC rates. Accordingly, the carrying amounts approximate the fair values.

Available-for-sale investments and financial assets at fair value through profit or loss are stated at fair value. The carrying amount and fair value of held-to-maturity investments and debt securities classified as receivables are disclosed in Note 24 and 25.

(ii) Financial liabilities

The Group's financial liabilities mainly include deposits from banks and other financial institutions, deposits from customers and debts securities issued.

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the consolidated statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

The Group and the Bank

	At December 31, 2014			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Available-for-sale financial assets				
—asset management plans	—	9,830,957	—	9,830,957
—wealth managements products issued by other financial institutions	—	2,403,771	—	2,403,771
	—	12,234,728	—	12,234,728

	At December 31, 2015			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at FVTPL				
—debt securities held for trading	—	644,105	—	644,105
—asset-backed securities held for trading	—	100,216	—	100,216
Available-for-sale financial assets				
—debt securities	—	1,417,291	—	1,417,291
—trust plans	—	10,000	—	10,000
—asset management plans	—	3,719,211	—	3,719,211
—wealth management products issued by other financial institutions	—	107,761	—	107,761
	—	5,998,584	—	5,998,584

	At December 31, 2016			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at FVTPL				
—debt securities held for trading	—	539,603	—	539,603
Available-for-sale financial assets				
—debt securities	—	3,011,221	—	3,011,221
—trust plans	—	35,000	—	35,000
—asset management plans	—	2,642,358	—	2,642,358
—wealth management products issued by other financial institutions	—	104,555	—	104,555
—investment funds	—	396,424	—	396,424
	—	6,729,161	—	6,729,161

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

The Group and the Bank (Continued)

	At June 30, 2017			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at FVTPL				
—debt securities held for trading	—	541,850	—	541,850
Available-for-sale financial assets				
—debt securities	—	5,005,832	—	5,005,832
—asset-backed securities	—	1,059,000	—	1,059,000
—trust plans	—	838,149	—	838,149
—asset management plans	—	2,863,466	—	2,863,466
—wealth management products issued by other financial institutions	—	112,825	—	112,825
—investment funds		399,196		399,196
	—	10,820,318	—	10,820,318

(i) During the Track Record Period, there were no significant transfers among each level.

(ii) The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available. The main parameters used in valuation techniques for financial instruments held by the Bank include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are basically observable and obtainable from open market.

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

The Group and the Bank (Continued)

(iii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below:

Financial assets	Fair value as of December 31,			Fair value as of June 30,	Fair value hierarchy	Valuation technique(s) and key input(s)
	2014	2015	2016	2017		
Financial assets at fair value through profit or loss						
Debt securities—listed . . .	—	644,105	539,603	541,850	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model
Asset-back securities—listed	—	100,216	—	—	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model
Available-for-sale financial assets						
Debt securities—listed . . .	—	1,417,291	3,011,221	5,005,832	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

The Group and the Bank (Continued)

(iii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (Continued)

Financial assets	Fair value as of December 31,			Fair value as of June 30,	Fair value hierarchy	Valuation technique(s) and key input(s)
	2014	2015	2016	2017		
Asset-back securities						
—listed	—	—	—	120,079	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model
—unlisted	—	—	—	938,921	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses
Trust plans	—	10,000	35,000	838,149	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses
Asset management plans	9,830,957	3,719,211	2,642,358	2,863,466	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

The Group and the Bank (Continued)

(iii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (Continued)

Financial assets	Fair value as of December 31,			Fair value as of June 30,	Fair value hierarchy	Valuation technique(s) and key input(s)
	2014	2015	2016	2017		
Wealth management products issued by other financial institutions	2,403,771	107,761	104,555	112,825	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses
Investment funds	—	—	396,424	399,196	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses

52 ENTRUSTED LENDING BUSINESS

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entruster and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognized in the consolidated statements of financial position. Surplus funding is accounted for as deposits from customers.

The Group and the Bank

	At December 31,			At June 30, 2017
	2014	2015	2016	
	RMB'000	RMB'000	RMB'000	RMB'000
Entrusted loans	6,145,258	6,941,735	7,416,849	6,732,225
Entrusted funds	6,145,258	6,941,735	7,416,849	6,732,225

53 COMMITMENTS

(a) Credit commitments

The Group's credit commitments take the form of bank acceptances, letters of credit and financial guarantees.

The Group provides financial guarantees to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The Group and the Bank

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Acceptances	43,002,892	39,987,034	31,392,837	27,842,297
Letters of guarantees	101,783	285,540	431,443	514,426
	43,104,675	40,272,574	31,824,280	28,356,723

The Group may be exposed to credit risk in all the above credit businesses. Group management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(b) Operating lease commitments

As of the end of each of the Track Record Period, the Group's and the Bank's future minimum lease payments under non-cancellable operating leases for properties are as follows:

The Group as lessee

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	144,242	155,881	148,511	155,056
In the second to fifth years inclusive	346,523	362,914	258,832	230,024
Over five years	42,723	56,018	39,961	20,967
	533,488	574,813	447,304	406,047

The Bank as lessee

	At December 31,			At June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	144,242	155,881	148,511	154,492
In the second to fifth years inclusive	346,523	362,914	258,832	229,545
Over five years	42,723	56,018	39,961	19,654
	533,488	574,813	447,304	403,691

53 COMMITMENTS (Continued)

(c) Capital commitments

At the end of each of the Track Record Period, the Group's and the Bank's authorized capital commitments are as follows:

The Group and the Bank

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At June 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of property and equipment				
—Contracted for but not provided	59,049	293,864	142,487	79,578

54 CONTINGENT LIABILITIES

The Bank and its subsidiary are involved as defendants in certain lawsuits arising from their normal business operations. As of December 31, 2014, 2015 and 2016 and June 30, 2017, the directors of the Bank believe the final result of the lawsuits will not have any material impact on the financial position or operations of the Group.

55 CHANGE IN OWNERSHIP INTEREST IN A SUBSIDIARY

During the Track Record Period, the Group has the following change in its ownership interest in subsidiary that do not result in a loss of control.

(i) Acquisition of additional interest in Jingning Chengji Rural Bank

During the year ended December 31, 2014, Jingning Chengji Rural Bank issued 30,000,000 ordinary shares with par value of RMB1 at RMB1.2. The Bank acquired 20,000,000 additional ordinary shares and increased its ownership to 62.73%. 10,000,000 shares were issued to non-controlling interests. This resulted in an increase in non-controlling interests of RMB11,446,000 and an increase in equity attributable to owners of the Bank of RMB554,000. A schedule of the effect of acquisition of additional interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest acquired	11,446
Consideration received from non-controlling interests	(12,000)
Gain recognized in capital reserve within equity	554

D EVENT AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Bank or its subsidiary have been prepared in respect of any period subsequent to June 30, 2017 and up to the date of this report.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Amounts in thousands of Renminbi, unless otherwise stated)

1. Liquidity coverage ratio and leverage ratio (%)

	At December 31,			At June 30,
	2014	2015	2016	2017
Liquidity coverage ratio (RMB and foreign currency)	N/A	N/A	169.55%(1)	166.06%(1)

	Average for the year ended December 31,			Average for the period ended June 30,
	2014	2015	2016	2017
Liquidity coverage ratio (RMB and foreign currency)	N/A	N/A	155.94%(1)	167.23%(1)

(1) According to the CBRC's requirement, liquidity coverage ratio applies to commercial banks with total assets more than RMB200,000 million.

Leverage Ratio

	At June 30, 2017
Leverage Ratio	5.14%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

2. Currency concentrations

	At December 31, 2014		
	USD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	60,996	81	61,076
Spot liabilities	—	—	—
Net position	60,996	81	61,076

	At December 31, 2015		
	USD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	111,592	447	112,039
Spot liabilities	—	—	—
Net position	111,592	447	112,039

	At December 31, 2016		
	USD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	118,156	15,423	133,579
Spot liabilities	—	14,613	14,613
Net position	118,156	810	118,966

	At June 30, 2017		
	USD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	206,298	67,987	274,285
Spot liabilities	2,765	40,162	42,927
Net position	203,533	27,825	231,358

The above information is computed in accordance with the provisions of the CBRC. The Group has no structural position as of the end of each reporting period.

3. International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, balances with the central bank, amounts due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At December 31,			At June 30,
	2014	2015	2016	2017
Deposit with banks				
Asia Pacific excluding Mainland China	60,812	42,226	2,689	2,006
Europe	—	16	492	—
	60,812	46,242	3,181	2,006

4. Loans and advances overdue for more than 90 days by geographical segments

	At December 31,			At June 30,
	2014	2015	2016	2017
Gansu Region	135,391	1,796,040	1,873,049	2,409,613
Mainland China excluding Gansu Region	—	—	1	—
Total	135,391	1,796,040	1,873,050	2,409,613

5. Gross amount of loans and advances overdue for more than 90 days

	At December 31,			At June 30,
	2014	2015	2016	2017
Gross loans and advances which have been overdue with respect to either principal or interest for periods of				
— Between three months and six months (inclusive)	47,643	812,015	536,131	886,428
— Between six months and one year (inclusive)	7,271	623,264	708,905	556,488
— Between one year and three years	65,282	353,240	593,585	929,954
— Over three years	15,195	7,521	34,429	36,743
Total	135,391	1,796,040	1,873,050	2,409,613
As a percentage of total gross loans and advances				
— Between three months and six months (inclusive)	0.08%	0.90%	0.50%	0.75%
— Between six months and one year (inclusive)	0.01%	0.69%	0.66%	0.47%
— Between one year and three years	0.12%	0.39%	0.55%	0.79%
— Over three years	0.03%	0.01%	0.03%	0.03%
Total	0.24%	1.99%	1.74%	2.04%

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

The information set out in this Appendix does not from part of the Accountants' Report from the reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative proposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. THE STATEMENT OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma statement of adjusted consolidated net tangible assets of Bank of Gansu Co., Ltd. (the "Bank") and its subsidiary (collectively the "Group") (the "Unaudited Pro Forma Financial Information") is prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is set out below to illustrate the effect of the proposed offering by the Bank of its H Shares (the "Global Offering") on the consolidated net tangible assets of the Group as of June 30, 2017, as if the Global Offering had taken place on June 30, 2017.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of June 30, 2017 or at any future date.

	Consolidated net tangible assets of the Group attributable to the owners of the Bank as of June 30, 2017(1)	Estimated net proceeds from the Global Offering(2)(5)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Bank as of June 30, 2017(3)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Bank per share as of June 30, 2017(4)(5)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on the Offer Price of HK$2.61 per Offer Share	15,335,622	4,650,549	19,986,171	2.05	2.44
Based on the Offer Price of HK$2.77 per Offer Share	15,335,622	4,939,415	20,275,037	2.08	2.47

Notes:

(1) The consolidated net tangible assets attributable to owners of the Bank as of June 30, 2017 are based on the consolidated net assets attributable to owners of the Bank of approximately RMB15,335,836,000 less intangible assets of approximately RMB214,000 as of June 30, 2017.

(2) The estimated net proceeds from the Global Offering for the purpose of unaudited pro forma adjusted consolidated net tangible assets are based on the Offer Price of HK$2.61 (being the low-end of the proposed Offer Price range) and HK$2.77 per H Share (being the high-end of the proposed Offer Price range) and the assumption that there are 2,212,000,000 newly issued H Shares in the Global Offering, after deduction of the underwriting fees and other related expenses payable by us and the listing expenses expected to be capitalized upon the listing and taking no account of any H Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets do not take into account the financial results or other transactions of the Bank subsequent to June 30, 2017.

(4) The unaudited pro forma adjusted consolidated net tangible assets per share are arrived on the basis of 9,737,991,330 shares in issue assuming that the Global Offering has been completed on June 30, 2017 and that the Over-allotment Option is not exercised.

(5) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted net tangible assets per share are translated into Renminbi at the rate of RMB0.8415 to HK$1.00, the exchange rate set by the PBoC prevailing on December 22, 2017. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi at that rate or at any other rate.

B INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

December 30, 2017

The Directors
Bank of Gansu Co., Ltd.

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Bank of Gansu Co., Ltd. (the "Bank") and its subsidiary (collectively referred to as the "Group") by the directors of the Bank for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as of June 30, 2017 and related notes as set out on page III-1 of Appendix III to the prospectus (the "Prospectus") dated December 30, 2017 in connection with the Initial listing (the "Initial Listing") of shares of the Bank on The Stock Exchange of Hong Kong Limited. The applicable criteria on the basis of which the directors of the Bank have compiled the unaudited pro forma financial information are described on pages in Appendix III to the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Bank to illustrate the impact of the Initial Listing on the Group's net tangible assets as of June 30, 2017 as if the Initial Listing had been taken place at June 30, 2017. As part of this process, information about the Group's financial position has been extracted by the directors of the Bank from the Group's historical financial information for the six months ended June 30, 2017, on which an accountants' report has been included in the Appendix I to the Prospectus.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Bank are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") 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 requirement 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.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" 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 29(7) of Chapter 4 of the Listing Rules, on the unaudited 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 unaudited 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 of the Bank have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 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 unaudited 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 unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the Initial Listing on unadjusted financial information of the Group as if the Initial Listing 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 Initial Listing at June 30, 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited 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 of the Bank in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited 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 unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong

This Appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to the Bank's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix VI—Taxation and Foreign Exchange" to this document. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, certain requirements of the Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulatory provisions applicable to the Bank. This summary is not intended to include all the data which may be important to the potential investors. For discussion of laws and regulations which are relevant to our business, see "Supervision and Regulation" in this document.

PRC LAWS AND REGULATIONS

The PRC Legal System

The PRC legal system is based on the PRC Constitution (the "Constitution") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress (the "NPC") and its Standing Committee are empowered to exercise the legislative power of the State in accordance with the Constitution and the PRC Legislation Law (the "Legislation Law"). The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and 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 State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the matters concerning formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, PBoC, NAO and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on June 10,1981, issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws in a prosecution process of a procuratorate 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, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

The PRC Judicial System

Under the Constitution and the Law of Organization of the People's 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 may set up civil, criminal and economic divisions, and certain people's courts based on the facts 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. It supervises the administration of justice by the people's courts at all levels and special people's courts.

A people's court takes the rule of the second instance as the final rule, that is, the judgments or rulings of the second instance at a 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 the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the chief judge of all levels of people's courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法) (the "PRC Civil Procedure Law") adopted on April 9, 1991 and amended three times on October 28, 2007, August 31, 2012 and June 27, 2017 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 substantially connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. However, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a 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 people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A 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. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment on the party.

In accordance with the international treaties to which the PRC is a signatory or in which the PRC is a participant or the principle of reciprocity, a PRC court and a foreign court may request each other to serve legal documents, conduct investigation and collect evidence and conduct other actions on its behalf. Where a party applies for enforcement of a legally effective judgment or ruling made by a people's court, and the opposite party or his property is not within the territory of the People's Republic of China, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling, or the people's court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or the principle of reciprocity, request recognition and enforcement by a foreign court, unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security or the public's interests.

The PRC Company Law, the Special Regulations and the Mandatory Provisions

The PRC Company Law was adopted by the 5th meeting of the Standing Committee of the 8th National People's Congress 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 latest revised PRC Company Law was implemented 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 Clauses of the Articles of Association of Companies Seeking Overseas Listing (the "Mandatory Provisions") jointly promulgated by the former Securities Commission of the State Council and the former State Commission for Restructuring the Economic System on August 27, 1994 prescribe that the provisions should be incorporated in the articles of association of joint stock limited companies to be listed overseas stock exchanges. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association. References to a "company" made in this Appendix are to a joint stock limited company established under the Company Law with H Shares to be issued.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions.

General

A "joint stock limited company" ("company") refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up. For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company's registration authorities. If laws, administrative 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 subscribed for the capital contribution under the articles of association, a board of directors and a supervisory board shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association with relevant administration for industry and commerce, and other documents as required by the law or administrative regulations.

Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided by the laws or administrative regulations. A promoter who offers shares to the public must announce 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 certificate thereof. The promoters shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription monies. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days 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 capacity of a legal person after approval of registration has been given by the relevant administration for industry and commerce and a business license has been issued.

A company's promoter shall be liable for the followings:

- the debts and expenses incurred in the establishment process jointly and severally if the company cannot be incorporated;
- the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and
- the compensation of any damages suffered by the company as a result of the promoters' fault in the course of its establishment.

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. For shares issued at the same time and within the same class, the conditions and price per share must be the same; for the shares subscribed by an entity or an individual, the price per share paid must be the same. 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. According to the Special Regulations and the Mandatory Provisions, the shares issued to foreign investors and listed overseas by a company shall be in registered form, denominated in Renminbi and subscribed for in foreign currency. Shares issued to foreign investors (including the 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 such overseas listed foreign shares proposed to be issued in addition to the number of underwritten shares.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase in Share Capital

Under the PRC Company Law, where a company is issuing new shares, resolutions shall be passed at general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

When a company launches a public issue of new shares 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 issue of new share the company has been paid up, the change must be registered with the relevant administration bureau for industry and commerce and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- the company shall prepare a balance sheet and an inventory of assets;
- the reduction of registered capital must be approved by shareholders at general meeting;
- the company shall notify its creditors of the reduction in share capital within 10 days and publish the relevant announcement in newspapers within 30 days of the resolution approving the reduction being passed;
- the creditors of the company may require the company to repay its debts or provide guarantees for covering the debts within 30 days of receipt of the notification or within 45 days of the date of the announcement if he/she/it has not received any notification; and
- the company must apply to the relevant administration bureau for industry and commerce for registration of the change on the reduction of registered capital.

Repurchase of Shares

Under the PRC Company Law, a company may not repurchase its own shares other than for one of the following purposes:

- reducing its registered capital;
- merging with other company which holds its shares;
- granting shares to its employees as incentives; and
- acquiring its own shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger or division.

The acquisition by a company of its own shares on the grounds set out in the first item to the third item above must be approved by way of a resolution of a shareholders' general meeting. Following the acquisition by a company of its own shares in accordance with these requirements, such shares must be cancelled within 10 days of the date of the acquisition in the case of the first item and transferred or cancelled within six months in the case of the second item or the fourth item.

The acquisition by a company of its own shares in accordance with the third item 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 legally. Under the PRC Company Law, a shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and domiciles of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder. The Mandatory Provision provides that changes due to share transfer should not be made to shareholder registry within 30 days before a shareholders' general meeting or within 5 days before the record date for the purpose of determining entitlements to dividend distributions.

Under the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issuance 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:

- to receive a return on assets, participate in significant decision-making and select management personnel;
- to petition the people's court to revoke any resolution passed at a shareholders' general meeting or a meeting of board of directors that has not been convened in compliance with the laws, administrative regulations 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;
- to transfer the shares of the shareholders legally;

- to attend or appoint a proxy to attend shareholders' general meetings and vote at the meetings;
- to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory board and financial and accounting reports and to make suggestions or inquiries in respect of the company's operations;
- to receive dividends in respect of the number of shares held;
- to participate in residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and
- any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

- to decide on the company's operational objectives and investment plans;
- to elect and dismiss the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;
- to review and approve the reports of the board of directors;
- to review and approve the reports of the supervisory board;
- to review and approve the company's annual financial budgets and final accounts;
- to review and approve the company's profit distribution proposals and loss recovery proposals;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of corporate bonds;
- to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;
- to amend the company's articles of association; and
- to exercise any other authority stipulated in the articles of association.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

- the number of directors is less than the number stipulated by the PRC Company Law or less than two- thirds of the number specified in the articles of association;

- the outstanding losses of the company amounted to one-third of the company's total paid-in share capital;
- shareholders individually or in aggregate holding 10% or more of the company's shares request that an extraordinary general meeting is convened;
- the board deems necessary;
- the supervisory board proposes to hold; or
- any other circumstances as provided for in the articles of association.

A shareholders' general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director 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 shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days 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. 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 notify other shareholders within two days upon receipt of the proposal, 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 any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who wish to attend a general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

In accordance with the Mandatory Provisions, a written notice of the general meeting stating, among other things, matters to be considered at the meeting and the time and venue of the meeting shall be given to all shareholders 45 days before the meeting. A shareholder who intends to attend the meeting shall deliver his written reply regarding his attendance of the meeting to the company 20 days before the date of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' general meeting, although the Special Regulations and the Mandatory Provisions provide that a company's general meeting may be convened when written replies to the notice of that meeting from shareholders holding shares representing no less than 50% of the voting rights in the company have been received 20 days before the proposed date. If that 50% level is not achieved, the company shall within five days 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.

Under the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Under the PRC Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of 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 and the other matters 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 by shareholders' general meeting.

Minutes shall be prepared in respect of matters considered at the general meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

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 (including proxies thereof) present at the meeting.

The Mandatory Provisions require a special resolution to be passed at the general meeting and a class meeting to be held in the event of a variation or derogation of the class rights of a shareholder class. For this purpose, holders of domestic shares and H shares are deemed to be shareholders of different classes.

Board

A company shall have a board, which shall consist of 5 to 19 members. Members of the board may include staff representatives, who shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly reelected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise its powers:

- to convene shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed by the shareholders at the shareholders' general meetings;
- to decide on the company's operational plans and investment proposals;
- to formulate proposal for the company's annual financial budgets and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to formulate proposals for the merger, division or dissolution of the company or change of corporate form;
- to decide on the setup of the company's internal management organs;
- to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;
- to formulate the company's basic management system; and
- to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board 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.

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:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist economic order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and
- a person who is liable for a relatively large amount of debts that are overdue.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions.

Under the PRC Company Law, 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 shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. Directors and senior management shall not act concurrently as supervisors.

The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of 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 selected 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 recommended by more than half of the supervisors shall convene and preside over supervisory board meetings.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory board may exercise its powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or resolutions of the shareholders' general meetings;
- when the acts of a director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;
- to submit proposals to the shareholders' general meetings;
- to bring actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law; and
- to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager, who reports to the board of directors, may exercise his/her powers:

- to manage the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;
- to arrange for the implementation of the company's annual operation plans and investment proposals;
- to formulate proposals for the establishment of the company's internal management organs;
- to formulate the fundamental management system of the company;
- to formulate the company's specific rules and regulations;
- to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;
- to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and
- to exercise any other authority granted by the board of directors.

Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management refers to the 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 and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence.

Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

Directors and senior management are prohibited from:

- misappropriating company funds;
- depositing company funds into accounts under their own names or the names of other individuals to deposit;
- loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the articles of association or without approval of the general meeting or the board of directors;

- entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting;
- using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;
- accepting commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential information of the company; and
- other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes law, administrative regulation or 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 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 institute 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, 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 earned from the issue of share and other income as required by CSRC to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Retirement of Auditors

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by 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. 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 shareholders of H Shares shall be declared and calculated in RMB and paid in foreign currency.

Under the Mandatory Provisions, a company shall make foreign currency payments to shareholders through receiving agents.

Amendments to the Articles of Association

Pursuant to 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 of the State Council authorized by the State Council, while the amendment to articles of association involving matters of company registration must be registered with the relevant authority in accordance with applicable laws.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved for any of the following reasons:

- the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;
- the shareholders have resolved at a shareholders' general meeting to dissolve the company;
- the company is dissolved by reason of its merger or division;
- the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or
- the company is dissolved by 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 ongoing existence of the company a cause for significant losses to the shareholders.

In the event of paragraph 1 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 1, 2, 4 or 5 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 to appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The sort out committee may exercise following powers during the liquidation:

- to sort out the company's assets and to prepare a balance sheet and an inventory of assets;
- to notify the company's creditors or publish announcements;
- to deal with any outstanding business related to the liquidation;
- to pay any overdue tax together with any tax arising during the liquidation process;
- to settle the company's claims and liabilities;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days 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 report all matters relevant to his claimed 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 part of the company's assets, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to 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 prepare a liquidation report and submit it 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 discharge their duties in good faith and perform their obligation in compliance with 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 of the company's plans to issue overseas-listed foreign shares and domestic shares by CSRC, the board of directors of the company may make arrangement to implement such plans for issuance of the foreign shares and domestic shares, respectively, within fifteen (15) months from the date of approval by CSRC.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

A separate procedure regarding the loss of share certificates and H Share certificates of the overseas-listed foreign shareholders of the PRC is provided for in the Mandatory Provisions, details of which are set out in the articles of association.

Merger and Division

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers 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 creditors 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 before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

Changes in the business registration of the companies as a result of the merger or division shall 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.

The PRC Securities Laws, Regulations and Regulatory Regimes

The PRC has promulgated a number of regulations that relate to the issue and trading of the Shares and disclosure of information of companies. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the Securities Committee and CSRC and reformed CSRC.

On April 22, 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares (股票發行與交易管理暫行條例) governing the application and approval procedures for public offerings of shares, issuance of and trading in shares, the acquisition of listed companies, deposit, clearing and transfer of shares, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (國務院關於股份有限公司境內上市外資股的規定). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law of the PRC (中華人民共和國證券法) (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 comprehensively regulating activities in the PRC securities market, including the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities.

Article 238 of the PRC Securities Law provides that domestic enterprises must obtain prior approval from the State Council Securities regulatory authorities to list shares outside the PRC. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (中華人民共和國仲裁法) (the "PRC Arbitration Law") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement has lapsed.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, in the case of the Listing Rules, also in contracts between the company and each director or supervisor. Pursuant to such clause, whenever a dispute or claim arises from any right or obligation provided in the articles of association, the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the company between (i) a holder of overseas listed foreign shares and the company; (ii) a holder of overseas listed foreign shares and a holder of domestic shares; or (iii) a holder of overseas listed foreign shares and the company's directors, supervisors or other management personnel, such parties shall be required to refer such dispute or claim to arbitration at either the China International Economic and Trade Arbitration Commission ("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 and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. The people's court can issue a ruling prohibiting the enforcement of an arbitral award made by an arbitration commission after verification by collegial bench formed by the people's court if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

Any party seeking to enforce an award of a foreign affairs arbitral body 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 recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region on June 18, 1999, which went into effect on February 1, 2000. The arrangements reflects the spirit of the New York Convention. Under the arrangements, the awards by the Mainland arbitral bodies recognized by Hong Kong may be enforced in Hong Kong and the awards by the Hong Kong arbitral bodies according to the Arbitration Ordinance of Hong Kong SAR may also be enforced in the Mainland China. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, or the court of Hong Kong SAR decides that the enforcement of the arbitral awards in Hong Kong SAR will be against public policies of Hong Kong SAR, the awards may not be enforced.

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, the Bank is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong 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 RMB30 million. There is no such restriction on companies incorporated in Hong Kong under Hong Kong law.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and 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 Hong Kong trading Link and Northbound Shanghai trading Link (or Northbound Shenzhen trading Link) 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 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 shares under 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 law.

Variation of Class Rights

The PRC Company Law has no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate separate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedure required to be followed 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 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 to 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 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 oversea 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 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 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 the Bank as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to the Bank.

Compliance Advisor

A company 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 with the compliance advisor's performance of its responsibilities, 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.

Accountant's Report

The accountant's 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 repurchases 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 repurchases which will arise under either or both of the Code on Takeovers and Mergers and Share Buy-Backs issued by the Securities and Futures Commission of Hong Kong (the "Hong Kong Takeovers 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 such convertible securities.

No such approval will be required under the Listing Rules to the extent that (i) the existing shareholders have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and H shares as of the date of the passing of the relevant special resolution, or (ii) such shares are issued as part of the Bank's plan at the time of its establishment to issue domestic shares and H shares and 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/her 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 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 shareholders 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 the Bank's issued share capital;
- the Bank's latest audited financial statements and the reports of the directors, auditors and supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by the Bank since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum 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 by the receiving agents, pending payment, in trust for the holders of such H shares.

Statements in Share Certificates

A PRC issuer is required to ensure that all of its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of such shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the company and each shareholder, and 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 arbitral body to conduct hearings in open session and to publish its award, and such award 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.

Contracts 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 relating to the company's 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 arbitral body elected by the claimant. Such arbitration will be final and conclusive. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of the HKIAC. PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by 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 the Bank's Articles, the principal objective of which is to provide investors with an overview of the 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 the Bank's Articles are available for inspection as mentioned in "Appendix VIII—Documents Delivered to the Registrar of Companies and Available for Inspection".

The Bank's Articles were adopted by the Shareholders in the shareholders' general meeting held on June 1, 2017 and were approved by the CBRC Gansu Office on August 14, 2017. The Bank's Articles will become effective on the date when the H Shares of the Bank are listed on the Hong Kong Stock Exchange.

DIRECTORS AND OTHER SENIOR MANAGEMENT

Power to Allot and Issue Shares

There is no provision in the Bank's Articles empowering the Directors to allot and issue Shares.

To increase the capital of the Bank, the proposal must be submitted for approval by 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 above paragraph.

REMUNERATIONS AND COMPENSATION FOR LOSS OF OFFICE

The Bank shall conclude written contracts with Directors and Supervisors of the Bank in relation to their remunerations, subject to prior approval at a general meeting. The "remunerations" herein referred to shall include:

(a) Remunerations as Directors, Supervisors or senior officers of the Bank;

(b) Remunerations as Directors, Supervisors or senior officers of the subsidiary banks (subsidiaries) of the Bank;

(c) Remunerations for providing other services for the management of the Bank and the subsidiary banks (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 of the Bank 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 of the Bank in this 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 aforesaid 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 loan or loan guarantee to the Directors, Supervisors and senior officers of the Bank or its parent bank, or to the related persons of the aforesaid persons.

In the following circumstances, the aforesaid provision shall not apply:

(a) The Bank provides loans to or loan guarantees for the subsidiary banks (subsidiaries);

(b) The Bank, in accordance with the engagement contracts approved at the general meeting, provides loans, loan guarantees or other monies for the Directors, Supervisors and senior officers of the Bank so that they may pay the expenses occurred for the Bank or for fulfilling their duties in the Bank;

(c) The Bank may provide loans or loan guarantees to relevant Directors, Supervisors, senior officers and their related persons, but provision of loans or loan guarantees shall be subject to normal business conditions.

If the Bank provides loans in violation of the aforesaid provisions, the recipient of the loans shall return the same immediately regardless of the loan conditions.

FINANCIAL ASSISTANCE FOR THE ACQUISITION OF SHARES IN THE BANK

The Bank (including its branches) or its subsidiary bank (including any subsidiaries of the Bank) 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 its branches) or its subsidiary bank (including any subsidiaries of the Bank) 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.

Except as otherwise prohibited by laws and administrative regulations, the acts listed below shall not be prohibited by the preceding two paragraphs:

(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 Bank's Articles;

(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 shareholding scheme (provided that this does not lead to a reduction in the net assets of the Bank or that if there causes a reduction, the financial assistance is taken from the distributable profits of the Bank).

The "financial assistance" stated in the Bank's Articles 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 "assumption of obligations" stated in the Bank's Articles 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) and any obligations that arise out of any changes made in any other way to the obligator's financial conditions.

DISCLOSURE OF INTERESTS IN CONTRACTS WITH THE BANK

If a Director, Supervisor, the president and other senior officer 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, the president and other senior officer), 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 Directors, Supervisor, president and other senior officers of the Bank having 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 not approved the said matter at a meeting in which he did not vote; the Bank has the right to cancel the said contracts, transactions or arrangements, save for the circumstance in which the other parties are bona fide parties without any knowledge of the default on the part of the said Director, Supervisor, president and other senior officers.

If a related person of a Director, Supervisor, president and other senior officers of the Bank has any interests in a given contract, transaction or arrangement, the said Director, Supervisor, president and other senior officers shall be deemed as having interests.

If, before concluding relevant contract, transaction or arrangement with the Bank for the first time, the Director, Supervisor, president and other senior officers of the Bank has notified the Board and Supervisory Board in writing 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 ready and upon the approval at the general meeting, a professional liability insurance system may be established in respect of the Directors, Supervisors, president and other senior officers.

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 AND RETIREMENT

The Board of the Bank shall comprise 12 members, of which Independent Directors shall not be less than one third of all Directors in number and the total number shall not be less than three. Our 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 Board shall have one chairman and shall be appointed by vote of more than half of the Directors.

During elections of members for the next session of the Board, the Nomination Committee and Remuneration Committee of the Board of Directors or Shareholders of the Bank who hold more than 3% of the total voting rights Shares of the Bank in issue individually or jointly may propose nominate candidates for Directors to the Board; the Nomination Committee and Remuneration Committee of the Board of Directors and the Board of Supervisors or Shareholders of the Bank who hold more than 1% of the total voting rights Shares of the Bank in issue individually or jointly may propose nominate candidates for independent Directors to the Board, subject to the number specified in the Articles and the number of such persons to be elected. The same shareholder may only nominate one candidate for independent director, shareholders who have already nominated a director are not allowed to nominate an independent director. 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.

In principle, the number of Directors dominated by the same Shareholder and its related person shall not be more than one third of the members of the Board in total.

The banking regulators under the State Council and their local offices shall evaluate the qualifications of Directors and senior officers.

A person shall not serve as Director, Supervisor, president and other senior officer 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, in each case where less than five years have elapsed since the date of the completion of implementation of such punishment or deprivation;

(c) is a former Director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and 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 insolvency and liquidation of the company or enterprise;

(d) is a former legal representative of a company or enterprise of which the business license has been revoked or has been ordered to close down due to violation of the law and has incurred personal liability, where less than three years have elapsed since the date of the revocation of the business license of such company or enterprise;

(e) has a relatively large amount of debts due and outstanding;

(f) is subject to investigation by judicial body for violation of criminal law where the said investigation has not yet been concluded;

(g) is the person who have been removed from office by commercial banks, other financial institutions or organizations or organizations for failure to fulfill obligation of good faith;

(h) is an individual or a company employee who have outstanding loans payable to financial institutions;

(i) is a Shareholder or a person holding positions in the Shareholders' entities whose balances of borrowings (excluding borrowings guaranteed by the pledge of bank deposit certificate or government bonds) from our Bank exceed his or her audited net equity value of the previous year of the Bank;

(j) is not eligible for enterprise leadership according to the laws and administrative regulation;

(k) is not a natural person;

(l) 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;

(m) is any other contents according to the laws, administrative regulations, department regulations or the Articles of Association.

The validity of an act of a Director, the president and other senior officers of the Bank on behalf of the Bank vis-à -vis a bona fide third party is not affected by any irregularity in his office, election or qualification.

BORROWING POWERS

The Bank's Articles do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

(a) provision which authorizes the Board to formulate proposals for the issuance of debentures and other securities and public listing plans; and

(b) provision which provides that the issuance of any kind of stocks, warrants or other similar securities by the Bank, and the issuance of our debentures or other marketable securities as well as listing shall be approved by the shareholders' general meeting by a special resolution.

Amendments to the Articles of Association

Amendments to the Articles of Association shall be made in any one of the following circumstances:

(a) the PRC Company Law, the PRC Banking Supervision and Regulatory Law, the PRC Commercial Banking Law, the Listing Rules, or after the relevant laws and administrative regulations have been amended, the matters stipulated in the articles of association are inconsistent with the provisions of the amended laws and administrative regulations;

(b) the situation of the Bank has changed and is inconsistent with the articles of association;

(c) the shareholders' general meeting decides to amend the articles of association of the Bank.

If the amendments are subject to approval by relevant regulatory authorities, the amendments to the articles of association adopted by the shareholders' general meeting shall be effective upon approval by the competent regulatory authority. 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 the Articles of Association.

The following circumstances shall be deemed to be a variation 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 that the class shares have 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 or 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 and 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 variation or abrogation of the provisions as contained in the Articles of Association.

The affected class shareholders, whether or not they have the right to vote at the shareholders' general meeting, in the case of matters referred to in subparagraphs (b) to (h), (k) to (l) above, shall have the right to vote at the class meeting; however, interested Shareholders 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 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.

Notice of a class meeting shall be served exclusively on Shareholders entitled to vote at such meeting.

Save as otherwise required by the Articles of Associations, the procedures of any class meeting shall be conducted in a similar manner as any general meeting as far as possible. Provisions in the Articles of Associations which relate to any general meeting shall apply to any class meeting.

Apart from holders of other classes of Shares, holders of domestic investment Shares and foreign investment 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 investment Shares and foreign investment Shares by the Bank in every twelve months, whether separate or concurrent, if such proposed issue of domestic investment Shares and foreign investment Shares are approved by the Shareholders in a general meeting by way of special resolution, and the number of domestic investment Shares and foreign investment 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 investment Shares and foreign investment 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 Regulator under the State Council and the securities regulator under the State Council, after a Domestic Shareholder of the Bank having converted the unlisted shares held by him or her into overseas listed shares, the listing and trading of such shares on the overseas stock exchange.

For the purposes of the class rights provisions of the 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 half 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

Ordinary 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. However, the Bank's Shares held by the Bank do not have the right to vote and such Shares are not included in the total number of Shares with voting rights at the shareholders' meeting.

A general meeting shall be voted by open ballot.

When a ballot is held, Shareholders (including proxies) who have two or more votes need not use all of their votes for, against or abstention 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 date of the previous financial year.

ACCOUNTS AND AUDIT

The Bank shall establish its financial and accounting system and internal audit system in accordance with the laws, administrative regulations and the provisions of the MOF, banking supervision and management authorities and the PBoC.

The Bank's Board shall have an Audit Committee which is responsible to the Board. The Audit Committee shall be composed of no less than three members, of which more than half of the members shall be independent Directors. The chairman of the Audit Committee shall be acted by independent Directors. All members of the Audit Committee shall be non-executive Directors, with one member having the appropriate qualifications as provided for in the relevant laws and regulations (including but not limited to the Listing Rules) or an independent Director having the appropriate accounting or relevant financial expertise at least. The Audit Committee has the duties as described in the Articles of Association.

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 overseas listing place. 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 an annual financial report two times 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 date of the financial year respectively. The above financial and accounting reports are prepared in accordance with the relevant laws, administrative regulations and departmental rules and regulations.

The audited financial reports of the Bank shall be placed in the office of the Board of Directors of the Bank for review by the Shareholders 20 days prior to the annual general meeting. Each Shareholder of the Bank is entitled to the financial reports mentioned in the Articles of Association.

Unless otherwise provided in the Articles of Association of the Bank, the Bank shall send the abovementioned reports or report of the Directors together with the balance sheet and profit and loss statement to each holder of overseas-listed foreign invested Shares by prepaid mail at least 21 days before the convening of the general meeting of Shareholders. The address of the receipt is subject to the address registered in the register of members. If the securities regulators in the place where the Shares of the Bank are listed have regulations otherwise, such regulations shall prevail.

NOTICE OF MEETINGS AND MATTERS TO BE CONSIDERED

General meetings consist of annual general meetings and extraordinary general meetings.

The Bank shall hold an extraordinary meeting within two months of the date of the occurrence of any of the following events:

(a) the number of Directors is less than the statutory minimum number required by the PRC Company Law or 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 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;

(d) when the Board deems it necessary to convene such a meeting;

(e) when the Supervisory Board proposed to convene such a meeting;

(f) when more than one-half of the independent Directors or external Supervisors proposed to the Board of Directors to convene such a meeting;

(g) in other circumstances as provided for in the laws, administrative regulations or the Articles of Association of the Bank.

Where a general meeting of the Bank is convened, a written notice regarding the matters to be considered at the meeting and the date and place of the meeting shall be given 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.

The notice of a general meeting shall:

(a) be in writing;

(b) contain the date time, venue, and duration of the meeting;

(c) contain the matters and proposals for deliberation at the meeting;

(d) specify the Shareholders entitled to attend the general meeting and the date of registration of the Shares;

(e) 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 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;

(f) if any Directors, Supervisors, the president or other senior executives 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, the president and other senior executives as the Shareholders different from the effect on the Shareholders of the class, an explanation shall be made in respect of such difference;

(g) contain the full text of any special resolutions intended to be adopted at the meeting;

(h) specify the time and venue for delivering the power of attorney for the voting proxy for the meeting;

(i) voting power of attorney for the meeting;

(j) contain a clear statement that a Shareholder entitled to attend and vote at such a meeting is entitled to appoint one or more proxies to attend and vote at such a meeting on his behalf and that such a proxy needs not be a Shareholder of the Bank;

(k) contain the name and telephone of number of the contact for the meeting;

(l) specify the date on which the notice of the meeting is sent;

(m) other requirements as provide for in the laws, administrative regulations, the relevant regulatory authorities 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 investment 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 Shareholders of domestic investment Shares shall be deemed to have received the notice of the general meeting.

Subject to the provisions of laws, administrative regulations and relevant regulatory authorities, for H Shareholders, the Bank may also issue a notice of the shareholders' general meeting via the website of the Bank and the Hong Kong Stock Exchange, in lieu of sending to H Shareholders by hand or by postage prepaid mail.

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 the business policies and significant investment plans of the Bank;

(b) to elect and replace Directors and Independent Directors and decide the remuneration of relevant Directors and Independent Directors;

(c) to elect and place Supervisors (not being representative(s) of employees) and to decide on the remuneration of relevant Supervisors;

(d) to examine and approve reports prepared by the Board of Directors;

(e) to examine and approve the reports prepared by the Supervisory Board;

(f) to examine and approve annual budgets and final accounts of the Bank;

(g) to examine and approve the profit distribution plans and plans for making up for losses of the Bank;

(h) to adopt resolutions concerning the increase and reduction of the registered capital of the Bank;

(i) to adopt resolutions on the issuance of bonds or the listing thereof;

(j) to examine and approve the Bank's foreign investment, asset transfer, transferee, acquisition, disposal plan or authorization of the Board of Directors;

(k) to adopt resolutions concerning the repurchase of the Shares of the Bank;

(l) to adopt resolutions concerning the merger, division, dissolution and liquidation of the Bank or change of the form of the Bank;

(m) to examine the reports on the Board's evaluation of Directors and the results of mutual evaluation of independent Directors;

(n) to examine the reports on the Board of Supervisors' evaluation of the Supervisors and the results of mutual evaluation of external Supervisors;

(o) to examine the interim proposal for more than 3% of the total number of Shares representing the voting Shares of the Bank;

(p) to examine the significant connected transactions subject to approval by the shareholders' meeting;

(q) amendment to the Articles of Association, to examine and approve or amend the rules of procedure of the shareholders' meeting, the rules of procedure of the Board of Directors, and the rules of procedure of the Board of Supervisors;

(r) to adopt resolutions concerning the employment and dismissal of the accounting firm of the Bank;

(s) to consider and approve the guarantee provided for in Article 74 of these Articles of Association;

(t) to consider the Bank's purchase and sale of significant assets within one year in excess of 30% of the latest total audited assets of the Bank;

(u) to consider and approve changes in use of proceeds;

(v) to consider the equity incentive schemes and employee shareholding schemes;

(w) to consider the proposals for Shareholders with more than 3% (inclusive) of the Shares with voting rights on behalf of the Bank;

(x) to consider other matters as determined by the shareholders' general meeting in accordance with the laws, administrative regulations and the Articles of Association.

The following matters shall be approved by ordinary resolutions at a general meeting:

(a) the work reports of the Board of Directors and the Supervisory Board;

(b) the profit distribution plan and loss recovery plan 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 and final accounts reports of the Bank;

(e) the annual profit distribution plan of the Bank;

(f) appointment, removal of an accountant firm;

(g) matters other than those required by the laws, administrative regulations and the Articles of Association of the Bank to be approved by special resolutions.

TRANSFER OF SHARES

Except as otherwise provided for in the laws and regulations, the ordinary Shareholders of the Bank shall not be withdrawn. 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 free from any liens may be transferred freely in accordance with law. 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 of the Bank; however, unless the following conditions are met, the Board may refuse to recognize any transfer documents of H Shares without any reasons:

(a) Any transfer documents and other documents relating to the ownership of any registered securities or having an impact on the ownership of any registered securities are required to be registered. The Bank has been paid all fees for the registration as stipulated by the Hong Kong Stock Exchange in the Listing Rules and the transfer documents of the registered Shares and other documents related to or affecting the title of any Shares have been registered;

(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 should be provided;

(e) where the Shares are intended to be transferred to joint holders, the number of such joint Shareholders is no more than four; and

(f) the Shares are free and clear of any liens of the Bank.

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 relevant regulators (e.g. the Banking Regulator under the State Council).

The Directors, Supervisors, president and other senior executives of the Bank shall report to the Bank on the Shares held in the Bank and changes thereof. The Shares transferred each year during the term of office shall not exceed 25% of the total number of Shares held in the Bank; the Shares held in the Bank shall not be transferred within one year from the date of listing of the Bank's Shares; the Shares of the Bank held in the Bank shall not be transferred within six months after leaving office.

The Shares issued before the public offering of Shares of the Bank shall not be transferred within one year from the date of listing of the Bank's Shares on the stock exchange.

Within 30 days prior to the date of the shareholders' meeting or within five days prior to the base date on which the Bank decides to distribute the dividends, no change in registration of the register of shareholders shall take place as a result of the share transfer. If the securities regulatory authority in the place where the Bank's Shares are listed have otherwise regulations, such regulations shall prevail.

PLEDGE OF SHARES

The Bank does not accept the Bank's Shares being set as the subject of the pledge.

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 of the Bank.

If a Shareholder who serves at the Board of Directors or the Board of Supervisors of the Bank or a Shareholder who holds or controls directly or indirectly or in conjunction with any other persons more than 2% of the Shares or voting rights pledges any Shares of the Bank, such Shareholder shall make a prior application to the Board of Directors of the Bank for filing, with such explanation as the reason for the pledge, the quantity of equity interests in the Bank, pledge term and pledgee. When the Board considers the relevant filing matter, the Director nominated by the pledger Shareholder shall avoid. After the filing with respect to the equity pledge has been completed, the Shareholder shall disclose promptly to the Bank the relevant information concerning the pledged equity as required by the Bank in relation to risk management and information disclosure.

Where the Board considers the pledge to be materially adverse to the stability of the Bank's shareholding, corporate governance, as well as the risk and Related Party Transaction control, no filing shall be made.

A Shareholder shall not pledge the Shares held by him in the Bank if the outstanding balance of the loans he has borrowed from the Bank had exceeded the audited net equity value held by him in the Bank in the previous year.

Where number of Shares of the Bank pledged by a Shareholder has reached or exceeded 50% of the equity interests held by him in the Bank, the voting rights exercisable by the Shareholder at the general meeting shall be part of the number of remaining pledged Shares; if the Shareholder has a nominated Director in the Board of Directors of the Bank, the voting rights of this Director at meetings of the Board shall be restricted.

POWER OF THE BANK TO REPURCHASE THE BANK'S OWN SHARES

In the following circumstances, the Bank may repurchase its issued and outstanding Shares in accordance with the procedures set forth in the Articles of Association of the Bank and upon approval by the banking regulators:

(a) 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 of the Bank to merge or divide the Bank; or

(e) Any such other circumstances as permitted by the laws and administrative regulations.

Except for the purpose as set above, the Bank shall not be engaged in any activities of buying and selling its own Shares.

If the Shares of the Bank are to be repurchased for the reasons mentioned in items (a) to (c) above, it shall be decided by the shareholders' meeting. After the Bank has purchased the Shares of the Bank in accordance with the aforesaid provisions, it shall be cancelled within 10 days from the date of purchase if it falls under item (a); it shall be transferred or cancelled within six months if it falls under items (b) and (d).

The Shares of the Bank which have been repurchased under the aforesaid item (c) shall not exceed 5% of the total issued Shares of the Bank; the funds for the repurchase shall be financed from the after-tax profits of the Bank; the repurchased Shares should be transferred to employees within one year.

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;

(d) to repurchase by other means as permitted by the laws, administrative regulations and the relevant competent authorities.

A prior approval shall be obtained from a general meeting in respect of any share repurchase by the Bank through an off-market agreement instead of on a securities exchange in accordance with the provisions of the Articles of Association of the Bank. After the general meeting has given its approval in the same way, the Bank may rescind or alter any contracts entered into in the said manner or waive any rights under such contracts.

The contract for repurchase of Shares as referred to in this paragraph includes but is not limited to, an agreement on bearing the obligation to repurchase Shares and obtaining the right to repurchase Shares.

The Bank shall not transfer the contract for the repurchase of its Shares or any right under the contract.

When the Bank has the right to purchase the redeemable shares and if the Bank does not repurchase Shares by the market or by way of tender, the price of the share repurchase must be limited to a certain maximum price; if the Bank repurchase Shares by tender, it should make a tender proposal to all Shareholders without discrimination.

Unless the Bank is in liquidation, the Bank shall comply with the following requirements in respect of its repurchase of any 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 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; 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 subtracted 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; and

(d) after the aggregate par value of the Shares cancelled 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.

Where the relevant provisions of laws, administrative regulations and relevant regulatory authorities provide otherwise provisions for the financial treatment referred to in the aforesaid share repurchase, such provisions shall prevail.

RIGHT OF THE BANK'S SUBSIDIARY COMPANIES TO OWN THE SHARES OF THE BANK

There are no provisions in the Bank's Articles of Association that prevent the bank's subsidiary companies of the Bank from owning any of the Shares.

DIVIDENDS AND OTHER METHODS OF PROFIT DISTRIBUTION

The Bank may distribute dividends in cash or by Shares.

The Bank's profit distribution attaches importance to the reasonable return on investment for investors. The distribution of Shares by dividend shall be decided by the shareholders' meeting and reported to the banking regulator under the State Council and its local office for approval.

The Bank shall appoint receiving agents on behalf of the holders of foreign investment Shares who shall receive on behalf of such Shareholders dividends distributed 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 Shareholders of H Shares 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.

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 the power of attorney for the voting proxy is signed by a person authorized by the principal, the letter of authorization of 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 representative 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 power of attorney, withdrawn the authorization of authorizing signature or has transferred his Shares prior to voting, as long as the Bank has not received 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 sending dividend warrants to holders of overseas listed 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 Shares who is untraceable in the proper way decided by the Board in such a manner as the Board thinks fit, subject to the following condition only:

(a) during a period of twelve years at least three 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 the twelve 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 stock exchange in which the Shares of the Bank will be traded.

RIGHTS OF SHAREHOLDERS (INCLUDING INSPECTION OF REGISTER OF SHAREHOLDERS)

An ordinary 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 attend in person or by a proxy general meeting and to exercise corresponding voting rights based on the number of the Shares held by him;

(c) to supervise and management the business operation of the Bank, and to make suggestions and enquiries accordingly;

(d) to transfer, bestow or pledge Shares held by him in accordance with the laws, administrative regulations and the provisions of this Articles of Association;

(e) to obtain relevant information in accordance with the laws, administrative regulations, relevant regulations of the securities regulators of the place where the Shares of the Bank are listed and the provisions of this Articles of Association, including:

  (i) to obtain a copy of the Bank's Articles of Association after its cost has been paid;

  (ii) to have access to and copy the following documents after a reasonable fee has been paid:

  - the Shareholder register;
  - the personal information of Directors, Supervisors, president and other senior management of the Bank;
  - status of the share capital of the Bank;
  - 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 accounting year, as well as all the expenses paid by the Bank in relation to such repurchases;
  - minutes of the general meetings;
  - special resolutions of the Bank;
  - the latest audited financial statements and the Board reports, auditor's reports and the Board of Supervisors' Reports of the Bank;
  - the copy of the latest annual return submitted to the SAIC or other competent authorities for filing.

(f) to participate in the distribution of the remaining assets of the Bank based on the number of Shares held in the event of the 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; and

(h) to have other rights conferred in accordance with the laws, administrative regulations and the Bank's Articles of Association.

QUORUM FOR SHAREHOLDERS' GENERAL MEETINGS AND SEPARATE CLASS MEETINGS

When convening a general meeting, the Bank shall give written notice to all Shareholders whose names appear in the register of Shareholders 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. Shareholders who intend to attend the meeting shall serve written reply on the Bank twenty days prior to the convening of 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. If the number of voting rights Shares represented by the Shareholders who intend to attend the meeting reaches more than half of the Bank's total number of voting rights Shares, the Bank may hold the general meeting; if not, the Bank shall again notify the Shareholders within five days by announcement of the matters to be considered at and the date and venue for, the meeting. After making the related announcement, the general meeting may be held.

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. Shareholders who intend to attend the meeting shall serve written reply on the Bank twenty 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 half of the Bank's total number of voting rights Shares of that class at the meeting, the Bank may hold the class meeting; if not, the Bank shall again notify the Shareholders within five days by announcement of the matters to be considered 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, administrative regulations or the provisions stipulated by the Listing Rules of the place where the Bank's Shares are listed, when exercising his rights as a Shareholder, a controlling Shareholder of the Bank 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 of 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 opportunities advantageous to the Bank; or

(c) approving a Director or a Supervisor (for his/her own or for the benefit of others) in depriving other Shareholders of their personal interests, including but not limited to any distribution rights and voting rights, unless the deprivation is made pursuant to the restructuring of the Bank submitted to and adopted at the general meeting in accordance with the Articles of Association.

A "Controlling Shareholder" shall mean any person who meets any one of the following conditions:

(a) such person acting alone or together with others may elect more than half of the Directors;

(b) such person acting alone or together with others may exercise 30% or more of the voting rights in the Bank or control the exercise of 30% or more of the voting rights in the Bank;

(c) such person acting alone or together with others holds 30% or more of the issued and outstanding Shares of the Bank; or

(d) such person acting alone or together with others in fact controls the Bank by any other means.

PROCEDURES ON LIQUIDATION

The Bank shall be dissolved and liquidated according to laws in any of the following circumstances:

(a) the term of its operations set down in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred;

(b) the general meeting has resolved to dissolve the Bank;

(c) merger or division of the 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 business license is revoked; the Bank is ordered to close down or be dissolved according to laws;

(f) the Bank is dissolved by the people's court in support to the request of Shareholders holding Shares that represent more than 10% of the voting rights of all Shareholders of the Bank, on the grounds that the operation and management has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the Bank a cause for significant losses to Shareholders.

If the Board decides to liquidate the Bank (save for liquidation when the 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 considered 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 of the Bank shall cease forthwith. During the liquidation period, the Bank cannot engage in new operating activities. The liquidation group shall 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 according to the instruction of the general meeting.

OTHER PROVISIONS MATERIAL TO THE BANK AND ITS SHAREHOLDERS

General provisions

After the approval by the special resolution at the shareholders' general meeting and approval by the banking regulator under the State Council and its branches, the Bank's Articles of Association shall become effective from the date of public offering of the H Shares of the Bank on the Hong Kong Stock Exchange. As from the date when the Articles of Association come into force and effect, the 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 an approval has been obtained from the Banking Regulator under the State Council and its branches, the Bank may increase capital in accordance with the relevant provisions of the Articles of Association.

The Bank may increase its capital by:

(a) public offering of shares;

(b) non-public offering of shares;

(c) allotting new Shares to existing Shareholders;

(d) distributing new Shares to existing Shareholders;

(e) converting reserve into share capital;

(f) any other methods approved by the laws, administrative regulations and relevant regulatory authority.

Upon approval according to the provisions of the Articles of Association, the Bank shall increase its capital in accordance with such procedures as provided for in relevant laws and administrative regulations of the state.

A common 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 by him and the prescribed method of capital contribution;

(c) to be liable for the Bank to the extent of the number of Shares subscribed for by him;

(d) not to withdraw Shares except for the circumstances specified in the laws and regulations;

(e) Shareholders, especially substantial Shareholders, are required to support the capital planning reasonably formulated by the Board of Directors of the Bank, so that the capital of the Bank can meet the regulatory requirements on an on-going basis. If the capital of the Bank fails to meet the regulatory requirements, a capital replenishment plan shall be formulated so that the capital adequacy ratio will meet the regulatory requirements within a specified period of time and the capital will be replenished by means of increasing core capital. Substantial Shareholders shall not obstruct other Shareholders from replenishing the capital or new qualified Shareholders to participate in;

(f) timely, complete and truthful reporting to the Board of Directors of the Bank of its affiliated enterprises, the connected relationship with other Shareholders and the participation in other commercial banks of PRC;

(g) not to abuse the rights of Shareholders to harm the legitimate interests of the Bank or other Shareholders; not to abuse the Bank's independent status as a legal person and limited liability of Shareholders to damage the interests of the Bank's creditors; if a Shareholder of the Bank abuse his/her rights as Shareholder causing losses to the Bank or other Shareholders, the Shareholder should be legally liable for compensation.

    If a Shareholder of the Bank abuse the independent status of the Bank as a legal person and the limited liability of the Shareholders to evade the debt and seriously damage the interests of the creditors of the Bank, he/she shall bear joint and several liabilities for the debts of the Bank;

(h) not to seek improper advantages or interfere with the decision-making and management rights conferred on the Board, president and other members of senior management by the Articles of Association; not to bypass the Board, president and other members of senior management to directly intervene in the operations and management of the Bank;

(i) other obligations as required by the laws, administrative regulations and the Articles of Association.

Shareholders who hold more than 5% of the Bank's Shares shall make a long-term commitment for capital replenishment to the Bank as a part of the Bank's capital planning.

Shareholders shall not be liable for making any additional contribution to the share capital of the Bank other than according to the terms agreed by the subscriber of the Shares at the time of subscription.

Directors' Qualification Shares

The Directors of the Bank are natural persons and shall not be required to hold Shares of the Bank.

BOARD OF DIRECTORS

The Board of Directors is the executive organ of the general meeting and is responsible to the general meeting.

The Board of Directors shall exercise the following functions and powers according to law:

(a) to determine the Bank's business development strategies and determine the Bank's business plans and investment plans;

(b) to consider the Bank's annual report and manage the Bank's external information disclosure;

(c) to convene general meetings and report work to the general meeting;

(d) to implement the resolutions of the general meeting;

(e) to prepare the Bank's annual financial budgets, final accounts, venture capital distribution plan, profit distribution plan and plan for making up the losses;

(f) to assess and evaluate the performance of the Directors' duties and report to the general meeting;

(g) to formulate plans for increase or reduction of the registered capital, issue of bonds or other securities and listing plan of the Bank;

(h) to consider and approve the Bank's plans for external investments, acquisitions and sales of assets, asset collateral, external guarantees, entrusted wealth management and related transactions in accordance with the authorization of the general meeting;

(i) to formulate a plan for material acquisitions or repurchases of Shares of the Bank or merger, division, dissolution and alternation of corporate form of the Bank and submit it to the general meeting for approval;

(j) to determine the setting, merger and revocation of the internal management department and branch offices of the Bank;

(k) to consider and approve material related transactions within the scope of the authorization of the general meeting.

(l) to appoint or dismiss the president of the Bank and the secretary of the Board of Directors in accordance with the nomination of the chairman of the Board; to appoint or dismiss other senior management such as the vice president of the Bank and the person in charge of finance in accordance with the nomination of the president of the Bank;

(m) to determine the Bank's risk management and internal control policies and to formulate the Bank's main management system;

(n) to regularly assess and improve the Bank's corporate governance;

(o) to formulate the basic management system of the Bank;

(p) to formulate the amendment proposals to the Articles of Association, the rules of procedure for general meetings and the rules of procedure for Board meetings;

(q) to be responsible for the Bank's information disclosure and be ultimately responsible for the completeness and accuracy of the Bank's accounting and financial reporting system;

(r) to listen to the work report and examine the work of the president;

(s) to approve the Bank's annual internal audit plans and audit budgets;

(t) to determine the Directors and members of the respective committees of the Board in accordance with the nomination of the Nomination and Remuneration Committee;

(u) to consider and approve the proposals put forward by the respective committees of the Board;

(v) to determine the Bank's long-term incentive schemes, remuneration plans and salary plans;

(w) to request the general meeting to employ, renew or replace the accounting firm which conducts audit for the Bank;

(x) to have the right to stop the decision made by the president and other senior management of the Bank that may cause significant business risk or loss to the Bank;

(y) to carry out the performance appraisal for the president and other senior management of the Bank and determine their remuneration, rewards and penalties and payment methods and decide on the remuneration and payment methods of the Independent Directors and external Supervisors;

(z) to formulate the Bank's policy on the protection of consumer rights and interests, regularly listen to and consider the senior management's report on the protection of consumer rights and interests;

(aa) to consider the approve the money laundering risk management report, develop money laundering risk management strategies and monitor the implementation of the strategies and assume the ultimate responsibility for money laundering risk management;

(bb) other powers conferred by the laws, administrative regulations, department rules and regulations, the Articles of Association and shareholders' general meeting or required by the supervisory authority to the Board of Directors for exercise.

The regular meeting of the Board of Directors shall be held at least once a quarter and not less than four times a year. It shall be convened and presided over by the chairman. The notice of the meeting shall be given to all Directors in writing at least 14 days before the meeting. The agenda of the regular meeting of the Board of Directors and the relevant meeting documents shall be sent to all Directors fully in a timely manner and shall be sent at least three days before the date of the meeting of the Board of Directors or its committees (or other time as agreed upon).

The Board meeting shall be convened with more than half of the Directors attending the meeting. The Board of Directors shall decide on the proposed resolution in the form of a meeting. The voting of the Board of Directors shall be held by show of hands or by way of ballot or communications. The voting of the Board of Directors shall adopt a one-person-one-vote system, and a resolution adopted by the Board of Directors shall be passed by half of all the Directors.

BOARD OF SUPERVISORS

The Bank shall establish a Board of Supervisors which shall be comprised of nine Supervisors, including three Shareholder Supervisors, three employee representative Supervisors and three external Supervisors. The Board of Supervisors shall have one chairman who shall be elected by more than 50% of all Supervisors at the meeting of the Board of Supervisors.

The term of office of Supervisors is three years. The Board of Supervisors shall be composed of the Supervisors acted by the employee representatives and the external Supervisors and other Supervisors elected by the shareholders' general meeting. The employee representative Supervisors of the Board of Supervisors shall be democratically elected by the staff of the Bank.

The same Shareholder and its associates shall not nominate Directors and Supervisors at the same time. If the Supervisors nominated by the same Shareholders and their associates have hold the duties of Supervisors, such Shareholders shall not nominate the Supervisors before the expiry of their term of office.

The Board of Supervisors shall be accountable to the general meeting and exercise the following powers:

(a) to review the Bank's report periodically prepared by the Board and give written audit opinions;

(b) to examine and supervise the Bank's financial affairs;

(c) to monitor the Directors and senior officers in the performance of their duties, make recommendations on the removal of Directors, president and other senior management who violate the laws, administrative regulations, the Articles of Association or the resolutions of the shareholders' general meeting;

(d) to demand rectification from a Director, president and other senior officers when the acts of such persons are detrimental to the interests of the Bank;

(e) to review financial information such as the financial reports, operation reports and profit distribution plans proposed to be submitted by the Board to general meetings; if any queries arise, it may authorize the registered accountants and certified public auditors in the name of the Bank for review;

(f) to propose to convene an extraordinary general meeting; to convene and preside over the shareholders' general meeting when the Board of Directors fails to perform the duties of convening and presiding over the general meeting as set out in the Articles of Association;

(g) to make proposal to the shareholders' general meeting;

(h) to assess and evaluate the Supervisors for performance of their duties and report to the shareholders' general meeting;

(i) to report to the shareholders' general meeting;

(j) to supervise and require for rectification regarding the Bank's business decision-making, risk management and internal control;

(k) the Board of Supervisors supervises the Bank's internal audit;

(l) to undertake the resign audit of Directors and senior officers as required;

(m) to negotiate with the Directors or file a lawsuit against the Directors and senior officers on behalf of the Bank in accordance with the provisions of the PRC Company Law;

(n) to investigate any abnormality found in operations of the Bank, and when necessary, to engage such professionals as accountant firms or law firms to assist in the work, for the account of the Bank;

(o) to propose any remuneration (or allowance) arrangement of a Supervisor;

(p) to supervise the Directors and senior management personnel in the performance of the anti-money laundering duties according to law and to evaluate the Directors and senior officers in the performance of the risk management of money laundering, and report to the shareholders' general meeting;

(q) other duties and powers as provided in the laws, administrative regulations, and the Articles of Association or conferred by the general meetings.

The Board of Supervisors shall hold at least four meetings every year and shall hold it at least once every six months. The notice of the meeting shall be delivered to all the Supervisors 10 days before the meeting is held.

The resolutions of the Board of Supervisors shall be voted by more than two-thirds of the members of the Board of Supervisors.

PRESIDENT

The Bank has one president and several vice presidents. The Bank's president shall be responsible to the Board and organize and carry out the operation and management activities of the Bank in accordance with the laws, regulations, the Articles of Association and the authorization of the Board of Directors.

The president has the following powers and duties:

(a) to manage the business operations of the Bank and report work to the Board;

(b) to implement resolutions of the Board;

(c) to prepare plans for the establishment of internal management structure of the Bank;

(d) to establish the basic management system of the Bank and to formulate the Bank's specific rules and regulations;

(e) to appoint or remove the head of the functional departments and the branches other than those required to be appointed or removed by the Board;

(f) to propose to the Board for the appointment or removal of the deputy president and other senior officers of the Bank;

(g) to authorize deputy president and other senior officers, the person in charge of the internal functional departments and branches to be engaged in business management activities;

(h) to submit to the Board the annual business plan and investment plan of the Bank, the annual financial budget, the final accounting plan and the profit distribution plan of the Bank on behalf of the senior management, and organize the implementation after approval;

(i) to determine the salary, welfare, reward, punishment and other incentive and restraint programs and implement them after the approval of the Board of Directors;

(j) to decide on the appointment and dismissal of employees of the Bank other than senior officers;

(k) to take urgent measures in the event of a major incident in the Bank and to report immediately to the Board of Directors, the Board of Supervisors and the banking regulatory authorities and the local branches of the PBoC;

(l) in exceptional circumstances, to propose an extraordinary meeting of the Board of Directors;

(m) other powers which are to be exercised by the president in accordance with the laws, regulations and the provisions of the Articles of Association or the power to be exercised by the president as authorized by the Board.

Secretary of the Board of Directors

The secretary of the Board of Directors of the Bank shall be nominated by the chairman of the Board of Directors and appointed or dismissed by the Board of Directors. The secretary of the Board of Directors is the senior management of the Bank.

The main duties of the secretary of the Board are:

(a) to ensure that the Bank has complete organizational documents and records;

(b) ensure that the Bank prepares and submits the reports and documents required by the competent authority in accordance with the law;

(c) to ensure that the register of members of the Bank is properly established and ensure that the relevant records and documents of the Bank are duly obtained by the persons entitled to receive the relevant records and documents;

(d) to prepare the general meeting and Board meeting, make preparatory and submissions of relevant meeting documents and information in accordance with legal procedures;

(e) to participate in the general meeting and Board meeting, and to make the meeting minutes and to sign;

(f) to be responsible for the custody of the register of members of the Bank, the register of Directors and Supervisors and senior management, the controlling shareholder and the Directors, Supervisors and senior management holding the information on the Shares of the Bank, as well as the shareholders' meeting, board meeting documents and minutes of the meeting;

(g) to be responsible for handling the information disclosure of the Bank and urge the Bank to develop and implement the information disclosure management system and the internal reporting system so as to enable the Bank and its related parties to fulfill its obligation of information disclosure in accordance with the law;

(h) to coordinate the relationship between the Bank and the investors, receive investor visits, respond to investor inquiries, and provide investors with information on the Bank's information disclosure;

(i) as the contact person of the Bank and the securities regulatory authorities in the place where the Bank's Shares are listed, to be responsible for organizing the preparation and timely submission of the documents required by the securities regulatory authorities in the place where the Bank's Shares are listed and to be responsible for accepting the relevant tasks given by the securities regulatory authorities in the place where the Bank's Shares are listed and organizing to complete the tasks;

(j) to be responsible for the confidentiality related to the Bank's information disclosure, formulate confidential measures to promote the Directors, Supervisors and other senior management and relevant informed parties to keep secret before the disclosure of information, and take remedial measures in a timely manner in case of the leakage of internal information;

(k) to assist the Directors, Supervisors and other senior management in understanding the relevant laws, administrative regulations, departmental rules and regulations and the Articles of Association regarding the information disclosure;

(l) other duties specified by the laws, administrative regulations, departmental regulations, relevant regulatory authorities and the Articles of Association, and authorized by the Board of Directors.

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 overseas listed foreign shares and the Bank, holders of the overseas listed foreign shares and the Bank's Directors, Supervisors, senior officers, or holders of the overseas listed foreign shares and other 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 abovementioned 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 officer 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 Centre 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 Centre, 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 Centre.

(c) if any disputes or claims of rights abovementioned item (a) are referred to arbitration, the laws of the PRC shall apply, save as otherwise provided in the laws and administrative regulations.

(d) The award of an arbitral body shall be final and binding on all parties.

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions 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 date of this document, 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 gains and profit tax, business tax/VAT, 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.

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 implemented on September 1, 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 and implemented on September 1, 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 approved to be deducted by the MOF or exempted by the international convention to which the PRC government is a party or the agreement entered into by the PRC government.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document (Guo Shui Fa [1993] No.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 paying 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 domestic 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 domestic non-foreign-invested enterprise whose shares are listed in Hong Kong 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 domestic non-foreign-invested enterprise whose shares are listed in Hong Kong is required to withhold the tax at a rate of 20%.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "EIT Law"), which was amended and became effective 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》), which was effective on January 1, 2008, a non-resident enterprise is generally subject to a 20% 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. 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 and came into effect 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 country or region, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. According to the requirements of "the Fourth Protocol of State Administration of Taxation Concerning 'the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion'" (《國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第四議定書》) which came into effect on December 29, 2015, regulations above are not available to the arrangements that aimed mainly at receiving the aforementioned taxation interest. In addition, the implementation of dividend clauses in the tax agreements shall comply with the documents of PRC tax laws 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收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Tax Treaties

Investors who reside in countries which have entered into avoidance of double taxation treaties with the PRC or are not PRC residents and reside in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including HK, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States, etc. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax agreements or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

Individual Investors

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in the PRC resident enterprises are subject to 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 (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No.61) issued by the MOF and the 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. In the latest IIT Law and its implementing rules, the SAT has not explicitly stated whether it will continue to exempt individuals from income tax on income derived from the transfer of shares of listed companies.

However, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the 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通知》) (Cai Shui [2009] No.167), which provides that individuals' income from transferring shares of listed companies on certain domestic exchanges shall continue to be exempted from the individual income tax, 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) jointly issued by the three authorities on November 10, 2010. As of the Latest Practicable Date, the aforesaid provision has not expressly provided that whether individual income tax shall be collected from non-PRC resident individuals on the transfer of shares of PRC resident enterprises listed on overseas stock exchanges or not. To the knowledge of the Bank, 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 20% 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 the relevant taxation 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 at 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 at October 1, 1988, PRC stamp duty is only applicable to be imposed on specific certificates that are executed or received in the PRC, legally binding in the PRC and protected by the PRC laws. Therefore, PRC stamp duty on transfer of shares of listed companies in PRC does not apply to the acquisition and disposal of H shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this document, no estate duty has been levied in China under the PRC laws.

Hong Kong Taxation

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H shares. However, trading gains from the sale of the H shares by persons carrying on a trade, profession or business in Hong Kong, where such gains 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 securities investment are held for long-term investment purposes.

Trading gains from sales of the H shares effected on the Hong Kong Stock Exchange will be considered to be derived from or 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.

PRINCIPAL TAXATION OF THE 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 tax payers and subject to enterprise income tax at the rate of 25%.

Business Tax/ VAT

Pursuant to the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》), which became effective on January 1, 1994, subsequently amended on November 5, 2008 and implemented on January 1, 2009, the Bank is subject to a 5% business tax for its banking operations in the PRC.

Pursuant to the 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) which was issued by MOF and SAT on March 23, 2016 and came into effect on May 1, 2016, the national pilot reform has commenced since May 1, 2016. The financial industry shall be included in the pilot reform scale, paying VAT instead of the business tax. Pursuant to the Measures for the Implementation of Pilot Reform for Transition from Business Tax to Value- added Tax (《營業稅改徵增值稅試點實施辦法》) which was issued and came into effect at same time with the aforementioned notices, when taxpayers conduct activities subject to taxation, the tax ratio is generally 6%, unless otherwise provided. The Bank has started to calculate and pay VAT instead of business tax from May 1, 2016.

TAXATION OF THE 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.

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 entitled to perform the function of administrating all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the Regulations of the PRC 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 foreign exchange administrative authorities' approval, while capital account items are. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 1, 2008 and became effective on August 5, 2008. The latest amended Foreign Exchange Control Regulations clearly requires that the PRC will not impose any restriction on international payments and transfers under the current account items.

On June 20, 1996, PBoC promulgated the Provision on the Settlement and Sale of and Payment in 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 impose no restrictions on convertibility of foreign exchange under current account items, while imposing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi (《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 and coming into effect on the same date, 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 of the date such as the U.S. dollar against Renminbi in the interbank foreign exchange market after the closing of the market on each business day, which will be used as the central parity for the transactions of such foreign currency against Renminbi exchange rate on the following business 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 interbank foreign exchange market to provide liquidity to the foreign exchange market. On July 1, 2014, PBoC further improved the formation mechanism of the RMB exchange rate liberalization by authorizing the China Foreign Exchange Trade System 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 exchange rate 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 before the interbank foreign exchange market opens every day 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, which have made substantial changes to the foreign exchange supervision system of the PRC. First, it has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, it has improved the managed floating RMB exchange rate system based on market supply and demand. Third, in the event that international revenues and costs occur or may occur a material misbalance, and the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control and other measures for international revenues and costs. Fourth, it has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to SAFE to enhance its supervisory and administrative powers.

According to the relevant laws and regulations of the PRC, PRC enterprises (including foreign-invested enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of foreign exchange administrative authorities, effect payment from their foreign exchange accounts at the financial institutions engaging in foreign exchange business or operation institutions engaging in exchange settlement and surrendering businesses with the support of valid transactions. 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 the Bank) may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect payment from their foreign exchange accounts or convert and pay dividends at the financial institutions engaging in foreign exchange business or operation institutions engaging in exchange settlement and surrendering businesses.

On October 23, 2014, the State Council promulgated the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No.50), which cancelled 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 SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No.54), pursuant to which a domestic company shall, within 15 business days of the end of its issuance of the overseas listing, register the overseas listing with the foreign exchange administrative authorities at the place of its incorporation; and the proceeds from overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

On February 13, 2015, the SAFE issued the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No.13), which came into effect on June 1, 2015. The Notice cancels two matters requiring administrative approval including 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.

According to the Notice of the SAFE on Reforming and Regulating the Administrative Policies over Foreign Exchange Settlement under Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No.16) issued by the SAFE and became effective on June 9, 2016, the relevant policies have made it clear that foreign exchange income of capital accounts implementing discretionary foreign exchange settlement (including funds repatriated from overseas listing) can be settle at the banks based on the actual needs of the domestic institutions; the proportion of discretionary settlement of foreign exchange income from capital accounts of domestic institutions is temporarily set at 100%. The SAFE may adjust the above proportion in accordance with the international balance of payment situation as appropriate.

1. Further Information about the Bank

A. Incorporation

In light of the lack of provincial city commercial banks in Gansu province and to promote the economic development of Gansu province, the People's government of Gansu decided to establish a provincial city commercial bank by building on the foundations of Baiyin City Commercial Bank and Pingliang City Commercial Bank. Therefore, on May 30, 2011, 25 legal entities (including large and medium-sized SOEs in Gansu province and private enterprises within and outside Gansu province) and representatives of all the shareholders of Baiyin City Commercial Bank and Pingliang City Commercial Bank jointly entered into a promoters agreement in respect of Dunhuang Bank Co., Ltd. (敦煌銀行股份有限公司). Pursuant to the agreement, the 25 legal entities contributed cash and all the shareholders of Baiyin City Commercial Bank and Pingliang City Commercial Bank contributed the appraised net assets of Baiyin City Commercial Bank and Pingliang City Commercial Bank, respectively, to incorporate Dunhuang Bank Co., Ltd.. On August 24, 2011, the General Office of the People's Government of Gansu Province approved the change to the name of the bank to be incorporated from the former "Dunhuang Bank Co., Ltd." to "Bank of Gansu Co., Ltd.". On September 27, 2011, the CBRC approved the establishment of the Bank. On November 18, 2011, the CBRC Gansu Office approved the commencement of business of the Bank and the conversion of Baiyin City Commercial Bank, Pingliang City Commercial Bank and their branches and sub-branches into Baiyin Branch, Pingliang Branch and sub-branches of the Bank. On the same day, the Bank was granted the enterprise business license by the Administration for Industry and Commerce of Gansu Province and was formally incorporated under the PRC Company Law. The Bank is the only provincial city commercial bank in Gansu province.

The registered address of the Bank is No. 122, Gannan Road, Chengguan District, Lanzhou, Gansu province, the PRC. The Bank has established a principal place of business in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and was registered as a non-Hong Kong company on June 28, 2017 under Part XVI of the Companies Ordinance. The Bank appointed Ms. Hui Yin Shan as the Bank's authorized representative for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Bank in Hong Kong is the same as the Bank's principal place of business in Hong Kong. The Bank carries on banking business in the PRC under the supervision and regulation of the CBRC and the PBoC. The Bank is not an authorized institution within the meaning of the Banking Ordinance, and is not subject to the supervision of the HKMA, nor authorized to carry on banking and/or deposit-taking business in Hong Kong.

As the Bank was established in the PRC, the Bank's 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 PRC laws and regulations is set out in Appendix IV and a summary of certain relevant provisions of the Articles of Association is set out in Appendix V.

B. Changes in Share Capital

Upon the Bank's establishment, its registered capital was RMB3,486,223,700.00, divided into 3,486,223,700 shares of nominal value of RMB1.00 each, all of which were fully paid up.

The Bank's share capital has undergone the following changes since the Bank's establishment:

Year	Changes in the share capital
2013	The Bank capitalized undistributed profits of RMB208,598,579.00 in 2013, after which the registered capital of the Bank increased to RMB3,694,822,279.00 and the total share capital of the Bank increased to 3,694,822,279 shares.
	The Bank issued a total of 2,950,918,414 Domestic Shares to 20 qualified legal entities at an issue price of RMB1.45 per share which was determined with reference to the valuation of the Bank's net assets as of May 31, 2013 ("2013 Private Placement").
2014	The Bank issued a total of 270,035,327 new Shares to 2,692 employees at an issue price of RMB1.45 per share, raising a total of RMB391,551,224.00 ("2014 Employees Share Issuance").
	The Bank capitalized undistributed profits of RMB221,086,902.00 ("2014 Conversion of Undistributed Profits into Share Capital").
	The registered capital of the Bank increased to RMB7,136,862,922.00 and the total share capital of the Bank increased to 7,136,862,922 shares after completing the 2013 Private Placement, 2014 Employees Share Issuance and 2014 Conversion of Undistributed Profits into Share Capital.
2015	The Bank capitalized undistributed profits of RMB389,128,408.00 in 2015, after which the registered capital of the Bank further increased to RMB7,525,991,330.00 and the total share capital of the Bank increased to 7,525,991,330 shares.

Assuming that the Over-allotment Option is not exercised, the Bank's share capital will be divided into 9,737,991,330 shares, comprising 7,525,991,330 Domestic Shares and 2,212,000,000 H Shares, representing approximately 77.28% and 22.72% of the total enlarged share capital of the Bank, respectively.

Assuming that the Over-allotment Option is exercised in full, the Bank's share capital will be divided into 10,069,791,330 shares, comprising 7,525,991,330 Domestic Shares and 2,543,800,000 H Shares, representing approximately 74.74% and 25.26% of the total enlarged share capital of the Bank, respectively.

C. Restriction on Share Repurchase

For details of the restrictions on the share repurchase by the Bank, see "Appendix V—Summary of Articles of Association—Power of the Bank to Repurchase the Bank's Own Shares".

D. Resolutions of the Bank's Shareholders

Resolutions were passed at the general meeting held on June 1, 2017, pursuant to which, among other things, the general meeting:

(a) approved the Global Offering, the Listing and the Over-allotment Option;

(b) authorized the Board of Directors and authorized persons of the Board of Directors to handle all matters relating to the Listing; and

(c) approved certain amendments to the Articles of Association in compliance with the requirements of the Listing Rules and other applicable laws and regulations.

Additionally, on June 1, 2017, the Board of Directors and the authorized persons of the Board of Directors were also authorized by the general meeting to make further amendments to the Articles of Association in accordance with any opinions given by the relevant regulatory authorities of the PRC and the Hong Kong Stock Exchange. The relevant amendments will become effective from the Listing Date.

E. The Bank's Subsidiary and Changes in its Share Capital

As of the Latest Practicable Date, Jingning Chengji Rural Bank was the sole subsidiary of the Bank. Certain details of this subsidiary are set out in Note 27 to the Accountant's Report, and the full text of the Accountant's Report is set out in Appendix I to this prospectus.

There was no change in the registered capital of the Bank's subsidiary during the two years preceding the date of this prospectus.

2. Further Information about the Group's Business

A. Summary of Material Contracts

The following contracts (not being contracts entered into by the Group in the ordinary course of business) were entered into within the two years preceding the date of this prospectus, which are or may be material:

(1) a property right transfer contract (產權交易合同) entered into between JISCO Lanzhou Judong Real Estate Development Co., Ltd. (酒鋼集團蘭州聚東房地產開發有限公司) and the Bank in January 2016 with regard to the transfer by JISCO Lanzhou Judong Real Estate Development Co., Ltd. of the property rights in respect of the fifth floor, the sixth floor, the seventeenth to the twenty-seventh floors and the use rights in respect of the third basement floor of Jiugang Tower 1# Complex Building (酒鋼大廈1#綜合樓) to the Bank at a transfer price of RMB547,310,000;

(2) a commodity housing sale contract (pre-sale) (商品房買賣合同(預售)) dated December 19, 2016 entered into between Gansu Zhicheng Real Estate Development Co., Ltd. (甘肅至誠房地產開發有限責任公司) and the Bank with regard to the sale by Gansu Zhicheng Real Estate Development Co., Ltd. of No. 101-111 and No. 113-116 on the first floor of a commercial building located in Chengguan District, Lanzhou City to the Bank at a sale price of RMB120,990,900;

(3) a project construction contract (建設工程施工合同) dated March 10, 2017 entered into between the Bank and Beijing Chatone Computer Room Equipment and Engineering Co., Ltd. (北京捷通機房設備工程有限公司), pursuant to which the Bank engaged Beijing Chatone

Computer Room Equipment and Engineering Co., Ltd. to construct the computer room of the data center of the Bank at a consideration of RMB43,678,755.58;

(4) a property right transfer contract (產權交易合同) dated March 21, 2017 entered into between JISCO Lanzhou Judong Real Estate Development Co., Ltd. (酒鋼集團蘭州聚東房地產開發有限公司) and the Bank with regard to the transfer by JISCO Lanzhou Judong Real Estate Development Co., Ltd. of the property rights and decoration and fit-out works of the first and second basement floors, the first to the fourth floors, and the eighth to the sixteenth floors of Jiugang Tower 1# Building (酒鋼大廈1#樓) to the Bank at a transfer price of RMB1,150,760,000;

(5) a cornerstone investment agreement dated December 27, 2017 entered into among the Bank, Hong Kong Dasheng Investment Holdings Company Limited (香港大生投資控股有限公司), CMB International Capital Limited, CCB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, Guotai Junan Capital Limited, BOCI Asia Limited and Guotai Junan Securities (Hong Kong) Limited, details of which are set out in the section headed "Cornerstone Investors" in this prospectus;

(6) a cornerstone investment agreement dated December 27, 2017 entered into among the Bank, Huaxun International Group Limited (華訊國際集團有限公司), CMB International Capital Limited, CCB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, Guotai Junan Capital Limited, BOCI Asia Limited and Guotai Junan Securities (Hong Kong) Limited, details of which are set out in the section headed "Cornerstone Investors" in this prospectus;

(7) a cornerstone investment agreement dated December 27, 2017 entered into among the Bank, China Create Capital Limited, CMB International Capital Limited, CCB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, Guotai Junan Capital Limited, BOCI Asia Limited, Guotai Junan Securities (Hong Kong) Limited and Haitong International Securities Company Limited, details of which are set out in the section headed "Cornerstone Investors" in this prospectus;

(8) a cornerstone investment agreement dated December 27, 2017 entered into among the Bank, Huarong Rongde (Hong Kong) Investment Management Company Limited (華融融德（香港）投資管理有限公司), CMB International Capital Limited, CCB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, Guotai Junan Capital Limited, BOCI Asia Limited and Guotai Junan Securities (Hong Kong) Limited, details of which are set out in the section headed "Cornerstone Investors" in this prospectus; and

(9) the Hong Kong Underwriting Agreement.

B. Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, the Bank had registered the following trademarks which are or may be material to the Bank's business.

No.	Trademark	Place of Registration	Class	Registration Number	Valid Period
1.	甘肃银行 BANK OF GANSU	PRC	36	11624093	From April 7, 2014 to April 6, 2024
2.	甘肃银行股份有限公司 THE BANK OF GANSU CO.,LTD	PRC	36	11624094	From April 7, 2014 to April 6, 2024

No.	Trademark	Place of Registration	Class	Registration Number	Valid Period
3.		PRC	1	11618060	From November 14, 2015 to November 13, 2025
4.		PRC	2	11618062	From August 21, 2014 to August 20, 2024
5.		PRC	3	11618061	From August 21, 2014 to August 20, 2024
6.		PRC	5	11618064	From August 21, 2014 to August 20, 2024
7.		PRC	6	11618065	From May 14, 2016 to May 13, 2026
8.		PRC	7	11639600	From July 21, 2014 to July 20, 2024
9.		PRC	8	11618066	From August 21, 2014 to August 20, 2024
10.		PRC	9	11618067	From May 14, 2016 to May 13, 2026
11.		PRC	11	11618069	From August 21, 2014 to August 20, 2024

No.	Trademark	Place of Registration	Class	Registration Number	Valid Period
12.		PRC	12	11618070	From August 21, 2014 to August 20, 2024
13.		PRC	13	11618071	From April 14, 2015 to April 13, 2025
14.		PRC	14	11618072	From June 7, 2014 to June 6, 2024
15.		PRC	16	11618074	From August 21, 2014 to August 20, 2024
16.		PRC	17	11618075	From August 21, 2014 to August 20, 2024
17.		PRC	18	11618076	From July 21, 2014 to July 20, 2024
18.		PRC	19	11618077	From June 7, 2014 to June 6, 2024
19.		PRC	20	11618078	From May 14, 2016 to May 13, 2026
20.		PRC	21	11618079	From August 21, 2014 to August 20, 2024

No.	Trademark	Place of Registration	Class	Registration Number	Valid Period
21.		PRC	24	11624625	From April 14, 2015 to April 13, 2025
22.		PRC	25	11624624	From April 14, 2015 to April 13, 2025
23.		PRC	26	11624623	From December 21, 2015 to December 20, 2025
24.		PRC	27	11624622	From March 21, 2014 to March 20, 2024
25.		PRC	28	11624089	From March 21, 2014 to March 20, 2024
26.		PRC	29	11624090	From March 21, 2014 to March 20, 2024
27.		PRC	30	11624091	From March 21, 2014 to March 20, 2024
28.		PRC	31	11624621	From December 21, 2015 to December 20, 2025
29.		PRC	33	11624619	From March 21, 2014 to March 20, 2024
30.		PRC	34	11624099	From March 21, 2014 to March 20, 2024
31.		PRC	35	11624098	From March 21, 2014 to March 20, 2024

No.	Trademark	Place of Registration	Class	Registration Number	Valid Period
32.		PRC	36	11624097	From June 7, 2014 to June 6, 2024
33.		PRC	37	11624092	From March 21, 2014 to March 20, 2024
34.		PRC	38	11624095	From March 21, 2014 to March 20, 2024
35.		PRC	39	11639602	From July 7, 2014 to July 6, 2024
36.		PRC	40	11639601	From March 28, 2014 to March 27, 2024
37.		PRC	41	11633978	From March 21, 2014 to March 20, 2024
38.		PRC	42	11639603	From July 7, 2014 to July 6, 2024
39.		PRC	43	11633975	From March 21, 2014 to March 20, 2024
40.		PRC	44	11633974	From March 21, 2014 to March 20, 2024
41.		PRC	45	11633973	From March 21, 2014 to March 20, 2024
42.	神舟兴陇卡	PRC	36	11624096	From June 21, 2014 to June 20, 2024
43.	甘肃银行 BANK OF GANSU	Hong Kong	36	304167270	From June 9, 2017 to June 8, 2027
44.	甘肃银行 BANK OF GANSU	Hong Kong	36	304167289	From June 9, 2017 to June 8, 2027

No.	Trademark	Place of Registration	Class	Registration Number	Valid Period
45.	甘肃银行 BANK OF GANSU	Hong Kong	36	304167261	From June 9, 2017 to June 8, 2027
46.	甘肃银行 BANK OF GANSU	Hong Kong	36	304167252	From June 9, 2017 to June 8, 2027
47.	甘肃银行 24 自助银行服务 SELF-SERVICE BANKING	Hong Kong	36	304167243	From June 9, 2017 to June 8, 2027
48.	甘肃银行 BANK OF GANSU	Hong Kong	36	304167234	From June 9, 2017 to June 8, 2027
49.		Hong Kong	36	304167225	From June 9, 2017 to June 8, 2027
50.		Hong Kong	36	304167216	From June 9, 2017 to June 8, 2027
51.	甘肃银行股份有限公司 BANK OF GANSU CO., LTD.	Hong Kong	36	304167207	From June 9, 2017 to June 8, 2027

No.	Trademark	Place of Registration	Class	Registration Number	Valid Period
52.	甘肃银行股份有限公司 BANK OF GANSU CO.,LTD.	Hong Kong	36	304167199	From June 9, 2017 to June 8, 2027
53.	甘肃银行股份有限公司 BANK OF GANSU CO.,LTD.	Hong Kong	36	304167180	From June 9, 2017 to June 8, 2027

As of the Latest Practicable Date, the Bank had applied for registration of the following trademarks which the Bank considers to be or may be material to its business:

No.	Trademark	Place of Registration	Class	Application Date
1.	平凉市静宁成纪村镇银行股份有限公司	PRC	36	July 7, 2016
2.	我惠	PRC	9, 36	November 2, 2016

(b) Copyrights

As of the Latest Practicable Date, the Bank had obtained the following copyrights:

No.	Description of Copyright	Applicant	Place of Registration	Date of Completion of Development	Date of First Publication	Registration Date
1.	Copyright of computer software—mobile client software of mobile banking of Bank of Gansu (Android) V2.3	The Bank	PRC	August 10, 2015	August 18, 2015	July 5, 2017
2.	Copyright of computer software—mobile client software of mobile banking of Bank of Gansu (IOS) V2.7	The Bank	PRC	August 10, 2015	October 17, 2015	July 5, 2017
3.	Copyright of computer software—mobile client software of direct banking of Bank of Gansu (Android) V1.5	The Bank	PRC	August 10, 2015	August 17, 2016	July 5, 2017
4.	Copyright of computer software—mobile client software of direct banking of Bank of Gansu (IOS) V1.5	The Bank	PRC	August 10, 2015	September 6, 2016	July 10, 2017

(c) Domain Names

As of the Latest Practicable Date, the Bank had registered the following Internet domain names:

No.	Domain Name	Class of Domain	Owner	Valid Period
1.	gsbankchina.com	International Domain	The Bank	From October 27, 2011 to October 27, 2021
2.	gsbankchina.com.cn	Domestic Domain	The Bank	From October 27, 2011 to October 27, 2023
3.	gsyh96666.com	International Domain	The Bank	From February 24, 2012 to February 24, 2023

No.	Domain Name	Class of Domain	Owner	Valid Period
4.	gsyh96666.com.cn	Domestic Domain	The Bank	From December 19, 2012 to December 19, 2023
5.	093196666.com	International Domain	The Bank	From February 24, 2012 to February 24, 2023
6.	093196666.com.cn	Domestic Domain	The Bank	From December 19, 2012 to December 19, 2023
7.	gs96666.com	International Domain	The Bank	From February 24, 2012 to February 24, 2020
8.	gs96666.com.cn	Domestic Domain	The Bank	From December 19, 2012 to December 19, 2023
9.	甘肃银行.中国	Domestic Domain	The Bank	From December 19, 2012 to December 19, 2022
10.	gsbankmall.com	International Domain	The Bank	From March 22, 2016 to March 22, 2019
11.	gsbankmall.cn	Domestic Domain	The Bank	From March 22, 2016 to March 22, 2019
12.	mall-gsbank.com	International Domain	The Bank	From January 22, 2016 to January 22, 2018[1]
13.	mall-gsbank.cn	Domestic Domain	The Bank	From January 22, 2016 to January 22, 2018[1]
14.	mall-gsbank.com.cn	Domestic Domain	The Bank	From January 22, 2016 to January 22, 2018[1]

Note:
(1) The Bank will renew the relevant domain name for another two years upon the expiry of current valid period.

Save as disclosed in "—2. Further Information about the Group's Business—B. Intellectual Property Rights" above, there are no other trade or service marks, patents or other intellectual property rights which are or may be material to the Bank's business.

C. The Bank's Depositors and Borrowers

The Bank's five largest depositors and five largest borrowers accounted for less than 30% of the respective total deposits and total loans and advances to customers as of the Latest Practicable Date.

3. Further Information about the Bank's Substantial Shareholders, Directors, Management and Staff

A. Disclosure of substantial shareholders' interests

For information on the person (other than Directors, Supervisors and chief executive of the Bank) who, immediately following the completion of the Global Offering, will or will be deemed or taken to have interests and/or short positions in the Bank's Shares or underlying Shares which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of our Group, please see the section headed "Substantial Shareholders".

None of the substantial shareholders of the Bank has interest in any member of the Group (other than the Bank) .

B. Disclosure of interests of the Directors, Supervisors and chief executive of the Bank in the Bank's issued share capital or in the associated corporations

Save as disclosed below, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), none of the Directors, Supervisors and chief executive of the Bank will have any interests and/or short positions in the Shares, underlying Shares or debentures of the Bank or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or any interests and/or short positions, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules which will be required to be notified to the Bank and the Hong Kong Stock Exchange upon the Listing, or any interests and/or short positions, pursuant to section 352 of the SFO, which will be required to be entered in the register referred to therein. For this purpose, the relevant provisions of the SFO shall be construed as if they are applicable to the Supervisors.

Directors

Name of Director	Nature of Interest	Class of Shares	Number of Shares Directly or Indirectly Held	Approximate Percentage of Interests in the Bank	Approximate Percentage of the Relevant Class of Shares
Li Xin (李鑫)	Beneficial Owner	Domestic Shares	300,000	0.003%	0.004%
Lei Tie (雷鐵)	Beneficial Owner	Domestic Shares	300,000	0.003%	0.004%

Supervisors

Name of Supervisor	Nature of Interest	Class of Shares	Number of Shares Directly or Indirectly Held	Approximate Percentage of Interests in the Bank	Approximate Percentage of the Relevant Class of Shares
Yang Qian (楊乾)	Beneficial Owner	Domestic Shares	300,000	0.003%	0.004%
Xu Yongfeng (許勇鋒)	Beneficial Owner	Domestic Shares	225,514	0.002%	0.003%
Luo Zhenxia (羅振夏)	Beneficial Owner	Domestic Shares	205,711	0.002%	0.003%
Li Yongjun (李永軍)	Interest in Controlled Corporations(1)	Domestic Shares	239,326,800	2.458%	3.276%

Note:

(1) Mr. Li Yongjun (a Supervisor) and his spouse collectively hold 2.0% equity interest in Yong Xin Hua Holdings Co., Ltd. (永新華控股有限公司). Gansu Yong Xin Construction and Installation Engineering Company Limited (甘肅永新建築安裝工程有限公司) and Gansu Huanghai Electronic and Mechanical Devices Engineering Company Limited (甘肅黃海電子機械設備工程有限公司) hold 33.0% and 65.0% equity interest in Yong Xin Hua Holdings Co., Ltd., respectively. Mr. Li Yongjun and his spouse collectively hold 100.0% equity interest in Gansu Yong Xin Construction and Installation Engineering Company Limited and Gansu Huanghai Electronic and Mechanical Devices Engineering Company Limited. Yong Xin Hua Holdings Co., Ltd. will hold 239,326,800 Domestic Shares immediately following the completion of the Global Offering. Pursuant to the SFO, Mr. Li Yongjun is deemed to be interested in the Shares held by Yong Xin Hua Holdings Co., Ltd.

Chief Executive(1)

Name of Chief Executive	Nature of Interest	Class of Shares	Number of Shares Directly or Indirectly Held	Approximate Percentage of Interests in the Bank	Approximate Percentage of the Relevant Class of Shares
Lei Tie (雷鐵)	Beneficial Owner	Domestic Shares	300,000	0.003%	0.004%

Note:

(1) Mr. Liu Qing, a former executive Director and the president of the Bank, resigned from his positions on November 9, 2017 due to job transfer. At a meeting of the Board of Directors held on November 9, 2017, the Board of Directors designated Mr. Lei Tie to assume the roles and responsibilities of the president of the Bank in the interim prior to the formal appointment of the new president. It is expected that immediately following the completion of the Global Offering, Mr. Lei Tie will be performing the role as the chief executive of the Bank.

C. Interest of Substantial Shareholders of any member of the Group (other than the Bank)

So far as the Directors are aware, no persons (other than the Bank) will, immediately following the completion of the Global Offering, directly or indirectly, be interested in 10% or more of the nominal value of any class of capital share carrying rights to vote in all circumstances at general meetings of any other member of the Group.

D. Particulars about Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, the Bank has entered into a service contract with each of the Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, observation of the Articles of Association and provisions on arbitration. Save as disclosed above, the Bank has not entered, and does not propose to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors/ Supervisors (other than contracts expiring or terminable by the employer within one year without the payment of compensation (other than statutory compensation)).

E. Directors' and Supervisors' Remuneration

The remuneration provided by the Bank for its executive Directors, employee representative Supervisors and senior management who are also the Bank's employees concurrently include salaries, discretionary bonus, social security plans, housing provident fund plans and other benefits. The remuneration provided by the Bank for its non-executive Directors, independent non-executive Directors and other Supervisors are determined by their responsibilities.

The total remuneration before tax paid to the Directors for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 were approximately RMB3.4 million, RMB3.3 million, RMB2.4 million and RMB1.0 million, respectively.

The total remuneration before tax paid to the Supervisors for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 were approximately RMB2.6 million, RMB2.8 million, RMB2.7 million and RMB0.9 million, respectively.

The total remuneration before tax paid to the Bank's senior management (excluding those who were also Directors or Supervisors concurrently for the relevant period) for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 were approximately RMB1.3 million, RMB1.2 million, RMB1.3 million and RMB0.5 million, respectively.

The total remuneration before tax paid to the five highest paid individuals for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 were approximately RMB8.0 million, RMB8.7 million, RMB8.0 million and RMB4.4 million, respectively.

Based on the arrangements in force as of the date of this prospectus, it is estimated the total remuneration before tax payable to the Directors, Supervisors and senior management of the Bank for 2017 will be approximately RMB6.5 million.

No remuneration was paid by the Bank to the Directors, Supervisors or the five highest paid individuals as inducement to join or upon joining the Bank or as a remuneration for loss of office in respect of the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017. Furthermore, none of the Directors or Supervisors had waived or agreed to waive any remuneration during the same periods.

Save as disclosed above, the Bank did not have any other amount paid or payable to the Directors for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017.

F. Directors' Competing Interests

None of the Directors has any interests in any business which competes or is likely to compete, either directly or indirectly, with the Bank's business.

G. Personal Guarantees

No Director or Supervisor has provided personal guarantees for the benefit of the lenders in connection with any banking facilities granted to the Bank.

H. Agency Fees or Commissions Paid or Payable

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed in "—4. Other Information—E. Qualifications of Experts" had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any of the capital of the Bank within the two years preceding the date of this prospectus.

I. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors, Supervisors and any parties listed in "—4. Other Information—E. Qualifications of Experts" is:

   (i) interested in the promotion of the Bank, or in any assets which, within the two years immediately preceding the date of this prospectus, have been acquired or sold by or leased to the Bank, or are proposed to be acquired or sold by or leased to the Bank; or

   (ii) materially interested in any contract or arrangement subsisting as of the date of this prospectus which is significant to the Bank's business; or

(b) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in "—4. Other Information—E. Qualifications of Experts":

   (i) is interested legally or beneficially in any of the Shares or the securities of the Bank; or

   (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the Shares or any of the securities of the Bank;

(c) none of the Directors or Supervisors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Bank that has to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO after the Listing; and

(d) without taking into account any Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of the Bank which would fall to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. Other Information

A. Estate Duty

The Directors have been advised that currently there is no material liability for estate duty that is likely to be imposed on the Bank under the relevant PRC laws and regulations.

B. Litigation

Save as disclosed in "Business—Legal Proceedings and Compliance", the Group is not involved in any litigation, arbitration or administrative proceedings of material importance as of the Latest Practicable Date, and, so far as the Bank is aware, no litigation, arbitration or administrative proceedings of material importance is pending or threatened against the Bank or any of the Directors, Supervisors or senior management of the Bank as of the Latest Practicable Date.

C. Sponsors

The Joint Sponsors have made an application on behalf of the Bank to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares (including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option). All necessary arrangements have been made to enable the relevant securities to be admitted to CCASS.

The Joint Sponsors all satisfy the independence criteria set out in Rule 3A.07 of the Listing Rules.

The Bank has agreed to pay the Joint Sponsors a total fee of HK$4.6 million as the joint sponsors of the Bank. Such sponsor fee relates solely to services provided by the Joint Sponsors to the Bank in their capacity as sponsors, and not other services which they may provide, such as (without limitation) book-building, pricing and underwriting.

D. Preliminary Expenses

The Bank has not incurred any material preliminary expense.

E. Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinions or advice in this prospectus are set forth as follows:

Name	Qualification
CMB International Capital Limited	Licensed corporation under the SFO permitted to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
CCB International Capital Limited	Licensed corporation under the SFO permitted to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Huatai Financial Holdings (Hong Kong) Limited	Licensed corporation under the SFO permitted 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 as defined under the SFO
Guotai Junan Capital Limited	Licensed corporation under the SFO permitted to conduct type 6 (advising on corporate finance) regulated activities as defined under the SFO
BOCI Asia Limited	Licensed corporation under the SFO permitted to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Grandall Law Firm (Shanghai)	PRC legal adviser
SHINEWING (HK) CPA Limited	Certified public accountants
Beijing Shinewing Management Consulting Co., Ltd	Internal control consultant

F. No Material Adverse Change

The Directors have confirmed that, since June 30, 2017 (being the date on which the latest audited consolidated financial statement of the Bank were made up), there has been no material adverse change in the Bank's financial or operating status or prospects.

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 provision) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

H. Miscellaneous

Save as disclosed in this prospectus:

(a) Within the two years preceding the date of this prospectus: (i) the Bank has not issued or 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 the Bank;

(b) No share or loan capital of the Bank is under option or is agreed conditionally or unconditionally to be put under option;

(c) The Bank has not issued or agreed to issue any founder shares, management shares or deferred shares;

(d) None of the equity and debt securities of the Bank is listed or dealt with on any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(e) There are no arrangements under which future dividends are waived or agreed to be waived;

(f) There are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(g) There are no contracts for hire or hire purchase of any plant to or by the Bank for a period of over one year which are substantial to the Bank's business (either with the Bank as the leaser or lessee);

(h) There have been no interruptions in the Bank's business which may have or have had a significant effect on the Bank's financial position in the last 12 months;

(i) There are no restrictions affecting the remittance of profits or repatriation of capital by the Bank in Hong Kong from overseas;

(j) The Bank has no outstanding convertible debt securities; and

(k) The Bank currently does not intend to apply for the status of a Sino-foreign investment joint stock limited company and does not expect to be subject to the Sino-foreign Joint Venture Law of the PRC.

I. Consents

CMB International Capital Limited, CCB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, Guotai Junan Capital Limited and BOCI Asia Limited as the Joint Sponsors, Grandall Law Firm (Shanghai) as the Bank's PRC legal adviser, SHINEWING (HK) CPA Limited as the Bank's reporting accountants and Beijing Shinewing Management Consulting Co., Ltd as the Bank's internal control consultant, 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 the Bank or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Bank.

J. Bilingual Prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Ordinance (Chapter 32L of the Laws of Hong Kong).

K. Promoters

The Bank's promoters comprised 25 legal persons, and all shareholders of Baiyin City Commercial Bank and Pingliang City Commercial Bank. The said 25 legal person promoters are:

No.	Name
1.	Gansu Province Highway Aviation Tourism Investment Group Co., Ltd. (甘肅省公路航空旅遊投資集團有限公司)
2.	Baoshang Bank Co., Ltd. (包商銀行股份有限公司)
3.	Jiuquan Iron & Steel (Group) Co., Ltd. (酒泉鋼鐵（集團）有限責任公司)
4.	Gansu Province Electric Power Investment Group Co., Ltd. (甘肅省電力投資集團有限責任公司)
5.	Jinchuan Group Co., Ltd. (金川集團有限公司)
6.	Jingyuan Coal Industry Group Limited (靖遠煤業集團有限責任公司)
7.	Yong Xin Hua Holdings Co., Ltd. (永新華控股有限公司)
8.	Gansu Shengda Group Co., Ltd. (甘肅盛達集團股份有限公司)
9.	Readers Publishing Group Limited (讀者出版集團有限公司)
10.	Qingyang Economic Development and Investment Co., Ltd. (慶陽市經濟發展投資有限公司)
11.	Fujian Nanquan Group Co., Ltd. (福建南泉集團有限公司)
12.	Shanghai Ruinan Enterprise Development Group Co., Ltd. (上海瑞南企業發展集團有限公司)
13.	Dongguan Huabang Group Limited (東莞市華邦集團有限公司)
14.	Jiayuguan Heat Supply Co., Ltd. (嘉峪關市供熱公司)
15.	Jiuquan Modern Agriculture (Holdings) Co., Ltd. (酒泉地區現代農業（控股集團）有限責任公司)
16.	Tianshui Water Corporation (天水市自來水公司)
17.	Lanzhou High-tech Industry Development Zone Management Committee Development Group (蘭州高新技術產業開發區管委會開發集團公司)
18.	Jinchang City Construction Investment and Development (Group) Co., Ltd. (金昌市建設投資開發（集團）有限責任公司)
19.	Gansu Heihe Hydropower Development Co., Ltd. (甘肅黑河水電開發股份有限公司)
20.	Dingxi City Urban Investment Construction State-owned Asset Operating Co. Ltd. (定西市城投國有資產經營有限責任公司)
21.	Wuwei Economic Development Investment (Group) Co., Ltd. (武威市經濟發展投資（集團）有限公司)
22.	Huixian Hongyuan Mining Co., Ltd. (徽縣鴻遠礦業有限責任公司)
23.	Linxia Prefecture Shenghe Economic Development Group Co., Ltd. (臨夏州盛河經濟開發集團有限責任公司)
24.	Gannan Prefecture Urban Economic Development Co., Ltd. (甘南州城市經濟發展有限公司)
25.	Dunhuang Cultural Tourism Investment Co., Ltd. (敦煌市文化旅遊投資有限責任公司)

Save as the Global Offering and as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the above promoters in connection with the Global Offering or the transactions described in this prospectus.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the Application Forms;

(b) the written consents referred to in "Appendix VII — Statutory and General Information — 4. Other Information — I. Consents"; and

(c) copies of each of the material contracts referred to in "Appendix VII — Statutory and General Information — 2. Further Information about the Group's Business — A. Summary of Material Contracts".

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Latham & Watkins at 18th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the accountant's report from SHINEWING (HK) CPA Limited, the text of which is set forth in Appendix I to this prospectus;

(c) the Group's unaudited supplementary financial information, the text of which is set out in Appendix II to this prospectus;

(d) the report from SHINEWING (HK) CPA Limited in respect of the Group's unaudited pro forma financial information, the text of which is set forth in Appendix III to this prospectus;

(e) the material contracts referred to in "Appendix VII — Statutory and General Information — 2. Further Information about the Group's Business — A. Summary of Material Contracts";

(f) the Group's audited consolidated financial statements for the three years ended December 31, 2016 and the six months ended June 30, 2017;

(g) the written consents referred to in "Appendix VII — Statutory and General Information — 4. Other Information — I. Consents";

(h) the service contracts referred to in "Appendix VII — Statutory and General Information — 3. Further Information about the Bank's Substantial Shareholders, Directors, Management and Staff — D. Particulars about Service Contracts";

(i) the PRC legal opinions issued by Grandall Law Firm (Shanghai), the Bank's legal adviser as to PRC law, in respect of the general matters and property interests of the Group; and

(j) copies of the following PRC laws, together with their unofficial English translation versions:

  (i) the PRC Company Law;

  (ii) the PRC Securities Law;

(iii) the Special Regulations;

(iv) the Mandatory Provisions;

(v) the PRC Arbitration Law;

(vi) the PRC Civil Procedure Law; and

(vii) the PRC Commercial Banking Law.

甘肃银行
BANK OF GANSU