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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Bank of Gansu Co., Ltd., you should at once pass this circular, together with the proxy form and reply slip that have been despatched to you, to the purchaser, the transferee, the bank, the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**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)*  
**(Stock Code: 2139)**

- (1) WORK REPORT OF THE BOARD OF DIRECTORS FOR 2017**
- (2) WORK REPORT OF THE BOARD OF SUPERVISORS FOR 2017**
- (3) ANNUAL REPORT FOR 2017**
- (4) FINAL FINANCIAL REPORT FOR 2017**
- (5) PROFIT DISTRIBUTION PROPOSAL FOR 2017**
- (6) ANNUAL FINANCIAL BUDGET FOR 2018**
- (7) PROPOSAL REGARDING THE ENGAGEMENT OF EXTERNAL AUDITING FIRM FOR 2018**
- (8) PROPOSAL REGARDING THE ELECTION OF MR. LUO YI AS A SUPERVISOR OF THE BANK**
- (9) PROPOSAL REGARDING THE PLAN FOR ISSUANCE OF 2018 FINANCIAL BONDS**
- (10) PROPOSAL REGARDING THE GENERAL MANDATE TO ISSUE SHARES AND**
- (11) NOTICE OF 2017 AGM**

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The 2017 Annual General Meeting ("AGM") of Bank of Gansu Co., Ltd. will be held at 9:00 a.m. on Friday, June 1, 2018 at No.3 conference room at 24/F of Bank of Gansu Tower, No.525 Donggang West Road, Chengguan District, Lanzhou, Gansu Province, the PRC. A notice of convening the AGM is set out on pages 6 to 9 of this circular.

The reply slip and the proxy form of the AGM have been despatched on Thursday, April 12, 2018 and have been published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). If you intend to attend the AGM either in person or by proxy, you are required to complete and return the reply slip for the meeting to the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited on or before Saturday, May 12, 2018.

Whether or not you are able to attend the AGM, you are advised to read the notice of the AGM carefully and to complete the proxy form that has been despatched to you in accordance with the instructions printed thereon and return to the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by hand or by post no later than 24 hours before the time appointed for convening the AGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM and any adjourned meeting(s) thereof in person if you so wish.

April 27, 2018

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

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## CONTENTS

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	<i>Page</i>
Definitions .....	1
Letter from the Board .....	3
Notice of 2017 AGM .....	6
Appendix I Businesses of the AGM .....	I-1
Annex A Work Report of the Board of Directors for 2017 .....	A-1
Annex B Work Report of the Board of Supervisors for 2017 .....	B-1
Annex C Proposal Regarding the Plan for Issuance of 2018 Financial Bonds .....	C-1
Annex D Proposal Regarding the General Mandate to Issue Shares .....	D-1

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“AGM” or “2017 AGM”	the annual general meeting of the Bank to be held at 9:00 a.m. on Friday, June 1, 2018
“Articles of Association”	the articles of association of the Bank, as amended, modified or otherwise supplemented from time to time
“Bank”	Bank of Gansu Co., Ltd., a joint stock company incorporated in the PRC with limited liability and whose H Shares are listed on the Main Board of the Stock Exchange
“Board” or “Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“CBRC”	China Banking Regulatory Commission
“Company Law”	Company Law of the People’s Republic of China
“Director(s)”	the director(s) of the Bank
“Domestic Share(s)”	ordinary shares issued by the Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
“Group”	the Bank and its consolidated subsidiaries
“H Share(s)”	the overseas listed foreign shares with a nominal value of RMB1.00 each in the ordinary share capital of the Bank which are listed on the Stock Exchange and traded in Hong Kong in Hong Kong dollars (stock code: 2139)
“H Shareholder(s)”	holders of H Share(s)
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	the International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“Independent Director(s)” or “Independent Non-executive Director(s)”	the independent non-executive director(s) of the Bank

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region
“PRC GAAP”	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by Ministry of Finance of the PRC on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	shares of the Banks, including Domestic Shares and H Shares
“Shareholder(s)”	Shareholder(s) of the Bank
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Bank



**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)*  
**(Stock Code: 2139)**

***Executive Directors:***

Mr. Li Xin (*Chairman*)  
Mr. Lei Tie

***Non-executive Directors:***

Ms. Wu Changhong  
Ms. Zhang Hongxia  
Mr. Li Hui  
Mr. Guo Jirong  
Mr. Zhang Youda

***Independent Non-executive Directors:***

Mr. Chen Aiguo  
Ms. Tang Xiuli  
Ms. Luo Mei  
Mr. Wong Sincere

***Registered office:***

No.122, Gannan Road  
Chengguan District  
Lanzhou  
Gansu Province, the PRC

***Principal place of business in the PRC:***

Bank of Gansu Tower  
No.525 Donggang West Road  
Chengguan District  
Lanzhou  
Gansu Province, the PRC

***Place of business in Hong Kong:***

Floor 18, Tesbury Center  
28 Queen's Road East  
Wanchai  
Hong Kong

*To the H Shareholders*

Dear Sir or Madam,

- (1) WORK REPORT OF THE BOARD OF DIRECTORS FOR 2017**
- (2) WORK REPORT OF THE BOARD OF SUPERVISORS FOR 2017**
- (3) ANNUAL REPORT FOR 2017**
- (4) FINAL FINANCIAL REPORT FOR 2017**
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- (10) PROPOSAL REGARDING THE GENERAL MANDATE TO ISSUE SHARES AND**
- (11) NOTICE OF 2017 AGM**

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## LETTER FROM THE BOARD

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### 1. Introduction

On behalf of the Board, I would like to invite you to attend the AGM to be held at 9:00 a.m. on Friday, June 1, 2018 at No.3 conference room at 24/F of Bank of Gansu Tower, No.525 Donggang West Road, Chengguan District, Lanzhou, Gansu Province, the PRC.

The purpose of this circular is to provide you with the notice of 2017 AGM and to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the AGM.

### 2. Businesses to be considered at the AGM

Details of the businesses to be considered at the AGM are set out on pages I-1 to I-5 of this circular.

The proposals to be presented for consideration and approval at the AGM include the following ordinary resolutions: (1) Work Report of the Board of Directors for 2017; (2) Work Report of the Board of Supervisors for 2017; (3) Annual Report for 2017; (4) Final Financial Report for 2017; (5) Profit Distribution Proposal for 2017; (6) Annual Financial Budget for 2018; (7) Proposal Regarding the Engagement of External Auditing Firm for 2018; and (8) Proposal Regarding the Election of Mr. Luo Yi as a Supervisor of the Bank.

The proposals to be presented for consideration and approval at the AGM also include the following special resolutions: (9) Proposal Regarding the Plan for Issuance of 2018 Financial Bonds; and (10) Proposal Regarding the General Mandate to Issue Shares.

In order to enable you to have a better understanding of the resolutions to be proposed at the AGM and to make an informed decision thereon, we have provided detailed information to the Shareholders in Appendix I to this circular, which includes the information and explanation on the resolutions proposed to be passed at the AGM.

### 3. The AGM

The AGM will be held at 9:00 a.m. on Friday, June 1, 2018 at No.3 conference room at 24/F of Bank of Gansu Tower, No.525 Donggang West Road, Chengguan District, Lanzhou, Gansu Province, the PRC. The notice of 2017 AGM is set out on pages 6 to 9 of this circular.

The reply slip and the proxy form of the AGM have been despatched to you on Thursday, April 12, 2018 and have been published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). If you intend to attend the AGM either in person or by proxy, you are required to complete and return the reply slip for the meeting to the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (telephone: (852) 2862 8555) on or before Saturday, May 12, 2018.

Whether or not you are able to attend the AGM, you are advised to read the notice of 2017 AGM carefully and to complete the proxy form that has been despatched to you in accordance with the instructions printed thereon and return to the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by hand or by post no later than 24 hours before the time appointed for convening the AGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM or any adjourned meeting thereof in person if you so wish.

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## LETTER FROM THE BOARD

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### 4. Voting by poll

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of shareholders at a general meeting must be taken by poll. Therefore, all resolutions to be proposed at the AGM in the notice of 2017 AGM will be voted by poll. The poll results will be published on the HKExnews website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Bank at [www.gsbankchina.com](http://www.gsbankchina.com) upon the conclusion of the AGM.

### 5. Recommendation

The Directors (including the Independent Non-executive Directors) consider that the resolutions set out in the notice of 2017 AGM are in the interests of the Bank and its Shareholders as a whole. Therefore, the Board recommends you to vote in favor of the proposed resolutions mentioned above.

By Order of the Board  
**Bank of Gansu Co., Ltd.\***  
**LI Xin**  
*Chairman*

Lanzhou, Gansu Province  
April 27, 2018

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**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)*  
**(Stock Code: 2139)**

**NOTICE OF ANNUAL GENERAL MEETING FOR 2017**

**Notice is hereby given that** the annual general meeting (“AGM”) of Bank of Gansu Co., Ltd. (“**the Bank**”) for 2017 will be held at No.3 conference room at 24/F of Bank of Gansu Tower, No.525 Donggang West Road, Chengguan District, Lanzhou, Gansu Province, the PRC at 9:00 a.m. on Friday, June 1, 2018, to consider and, if thought fit, pass the following resolutions:

**ORDINARY RESOLUTIONS**

1. To consider and approve the work report of the board of directors for 2017.
2. To consider and approve the work report of the board of supervisors for 2017.
3. To consider and approve the annual report for 2017.
4. To consider and approve the final financial report for 2017.
5. To consider and approve the profit distribution proposal for 2017.
6. To consider and approve the annual financial budget for 2018.
7. To consider and approve the proposal regarding the engagement of external auditing firm for 2018.
8. To consider and approve the proposal regarding the election of Mr. Luo Yi as a supervisor of the Bank.

**SPECIAL RESOLUTIONS**

9. To individually consider and approve the proposal regarding the plan for issuance of 2018 financial bonds, including:
  - 9.1 size of the issuance
  - 9.2 issuance in tranches
  - 9.3 nature of bonds
  - 9.4 bonds types and maturity



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## NOTICE OF 2017 AGM

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- 9.5 coupon rate
  - 9.6 method of issuance
  - 9.7 use of proceeds
  - 9.8 validity period
  - 9.9 authorization.
10. To consider and approve the proposal regarding the general mandate to issue shares.

By order of the Board  
**Bank of Gansu Co., Ltd.\***

**Li Xin**  
Chairman

Lanzhou, Gansu Province  
April 12, 2018

*As of the date of this announcement, the board of directors of the Bank comprises Mr. LI Xin and Mr. LEI Tie as executive Directors; Ms. WU Changhong, Ms. ZHANG Hongxia, Mr. LI Hui, Mr. GUO Jirong and Mr. ZHANG Youda as non-executive Directors; and Mr. CHEN Aiguo, Ms. TANG Xiuli, Ms. LUO Mei and Mr. WONG Sincere as independent non-executive Directors.*

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

Notes:

### **1. Voting by poll**

Pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”), all votes of resolutions at the AGM shall be taken by poll. As such, the votes of resolutions set out in the notice of 2017 AGM will be taken by poll. An announcement on the voting results will be published on the HKEXnews website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Bank at [www.gsbankchina.com](http://www.gsbankchina.com) after the AGM.

### **2. Eligibility for attending the AGM and closure of register of holders of H shares**

In order to determine the holders of H shares who are eligible to attend the AGM, the register of holders of H shares of the Bank will be closed from Tuesday, May 1, 2018 to Friday, June 1, 2018 (both days inclusive), during which period no transfer of H shares will be registered.

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## NOTICE OF 2017 AGM

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In order to qualify for attending the AGM, share certificates accompanied by instruments of transfer must be lodged with the Bank's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, April 30, 2018. Holders of H shares of the Bank whose names appear on the register of members of the Bank on Friday, June 1, 2018 are entitled to attend the AGM.

A shareholder or his/her proxy should present proof of identity when attending the AGM. If a shareholder is a legal person, its legal representative or other person authorised by the board of directors or other governing body of such shareholder may attend the AGM by providing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.

### 3. Reply slip

Holders of H shares who intend to attend and vote (in person or by proxy) at the AGM must complete and lodge the accompanying reply slip and return it to the Bank's H share registrar on or before Saturday, May 12, 2018. For holders of H shares of the Bank, the reply slip may be delivered by hand, by post or by fax to the Bank's H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Completing and lodging the reply slip would not affect the right of a shareholder to attend and vote at the AGM. However, if the shareholders fail to return the reply slip and the number of shares carrying the right to vote represented by the shareholders proposing to attend the AGM by reply slip does not reach more than half of the total number of shares of the Bank carrying the right to vote at the AGM, the Bank shall within five days notify the shareholders again, by way of public announcement, of the matters to be considered and the date and venue of the meeting. The Bank may then proceed to hold the meeting after publishing such announcement.

### 4. Proxy

- (1) Each shareholder who has the right to attend and vote at the AGM convened by the above notice is entitled to appoint one or more proxies in writing to attend and vote on his/her behalf at the AGM. A proxy needs not be a shareholder of the Bank.
- (2) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorized attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign or other document of authorization must be notarized.

Holders of H shares shall lodge the proxy form, together with the notarized power of attorney or other authority, to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time specified for holding the AGM.

- (3) Completion and return of the proxy form will not preclude a shareholder from attending and voting in person at the AGM or any adjournment thereof should he/she so wish.
- (4) In the case of joint shareholders and more than one of the shareholders attending the meeting, whether in person or by proxy, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the share register of the Bank in respect of the joint shareholding.

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## NOTICE OF 2017 AGM

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### 5. Miscellaneous

- (1) The AGM is expected to last for no more than half a working day. Shareholders and their proxies attending the meeting are responsible for their own traveling and accommodation expenses.
- (2) For details of the proposals submitted to the AGM for consideration and approval, please refer to the relevant content in the circular of the AGM to be despatched by the Bank in due course.
- (3) None of the directors, supervisors, presidents and other senior management of the Bank has material interests in matters to be considered.

(4) **Address of Computershare Hong Kong Investor Services Limited:**

17M Floor, Hopewell Centre  
183 Queen's Road East, Wanchai  
Hong Kong  
Telephone: (852) 2862 8628  
Facsimile: (852) 2865 0990

(5) **Registered Office of the Bank in the PRC:**

No.122, Gannan Road, Chengguan District  
Lanzhou, Gansu Province  
The PRC

**Principal Place of Business of the Bank in the PRC:**

Bank of Gansu Tower  
No.525 Donggang West Road, Chengguan District  
Lanzhou, Gansu Province  
The PRC

Contact department: Strategy and Development Department  
Telephone: 86 (931) 877 0491  
Facsimile: 86 (931) 877 1877  
Contact person: Mr. Zhang Kuixi (張奎喜)

## Ordinary Resolutions

### 1. Considering and Approving the Work Report of the Board of Directors for 2017

According to the Company Law and the Articles of Association, it is the authority of the Shareholders' general meeting of the Bank to consider and approve the work report of the Board. The Work Report of the Board of Directors of Bank of Gansu Co., Ltd. for 2017 (《甘肅銀行股份有限公司2017年度董事會工作報告》) was considered and approved by the Board on March 27, 2018 and is hereby submitted to the AGM for consideration and approval.

The Work Report of the Board of Directors is set out in Annex A to this circular.

### 2. Considering and Approving the Work Report of the Board of Supervisors for 2017

According to the relevant regulations and the Articles of Association, it is the authority of the Shareholders' general meeting of the Bank to consider and approve the work report of the Board of Supervisors. The Work Report of the Board of Supervisors of Bank of Gansu Co., Ltd. for 2017 (《甘肅銀行股份有限公司2017年度監事會工作報告》) was considered and approved by the Board of Supervisors on March 27, 2018 and is hereby submitted to the AGM for consideration and approval.

The Work Report of the Board of Supervisors is set out in Annex B to this circular.

### 3. Considering and Approving the Annual Report for 2017

The Annual Report for 2017 was considered and approved by the Board on March 27, 2018 and is hereby submitted to the AGM for consideration and approval. The Annual Report for 2017 of the Bank will be despatched to the Shareholders together with this circular and will be published on the HKExnews website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the website of the Bank (<http://www.gsbankchina.com>) on April 26, 2018.

### 4. Considering and Approving the Final Financial Report for 2017

The Final Financial Report for 2017 of Bank of Gansu Co., Ltd. (《甘肅銀行股份有限公司2017年度決算報告》) was considered and approved by the Board on March 27, 2018 and is hereby submitted to the AGM for consideration and approval, details of which are set forth as follows:

The Final Financial Accounts for 2017 were completed by the Bank in accordance with applicable regulations. In accordance with audited financial statements for the year ended December 31, 2017 prepared under the IFRS, the final financial accounts for 2017 of the Bank are set out below:

As at the end of 2017, the total assets of the Bank amounted to RMB271,148 million, and the total assets of parent company amounted to RMB270,241 million; the total liabilities of the Bank amounted to RMB254,535 million, and the total liabilities of parent company amounted to RMB253,684 million; the balance of equity interest of the Shareholders of the Bank and parent company amounted to RMB16,613 million and RMB16,557 million, respectively.

In 2017, the total profit of the Bank amounted to RMB4,479 million, and the total profit of parent company amounted to RMB4,466 million; the net profit of the Bank amounted to RMB3,364 million, and the net profit of parent company amounted to RMB3,353 million.

In 2017, the average yield of assets of the Bank was 1.3%; the average yield of net assets was 22.46%.

In 2017, the net interest spread, the net interest margin and the cost-to-income ratio of the Bank were 2.91%, 2.74% and 24.81%, respectively.

As at the end of 2017, the core tier-one capital adequacy ratio of the Bank was 8.71%, core tier-one capital adequacy ratio of parent company was 8.7%; capital adequacy of the Bank and parent company were 11.54% and 11.53%, respectively.

As at the end of 2017, the non-performing loan ratio of the Bank and parent company were 1.74% and 1.73%; provision coverage ratio of the Bank and parent company were 222% and 222.46%; the provision-to-loan ratio of the Bank and parent company were 3.86% and 3.85%, respectively.

## 5. Considering and Approving the Profit Distribution Proposal for 2017

According to the Profit Distribution Proposal for 2017 of Bank of Gansu Co., Ltd. (《甘肅銀行股份有限公司2017年度利潤分配方案》) considered and approved by the Board on March 27, 2018, the Profit Distribution Proposal for 2017 is set forth as follows:

Considering the shareholders' interests, the Bank's future development and other factors and in accordance with the requirements of relevant laws and regulations and the Articles of Association, the Board proposed the Profit Distribution Proposal for 2017 as follows:

- (1) appropriate 10% of net profit realized this year of RMB335.3 million to statutory surplus reserve.
- (2) appropriate 1.5% of the risk-bearing assets of RMB400.2 million to the general risk reserve according to the Administrative Measures for the Provisioning for Reserves of Financial Institutions [2012] No. 20 (《金融企業準備金計提管理辦法》([2012]20號)) promulgated by the Ministry of Finance of the People's Republic of China.
- (3) appropriate surplus reserve fund of RMB335.3 million.
- (4) The Bank proposed not to distribute cash dividends. In light of the Bank's future business development which needs sufficient capital to support, the Bank proposed not to distribute cash dividends to all Shareholders in 2017.
- (5) the remaining retained earnings of the parent company of RMB2.547 billion will be carried forward to the following year.

The Profit Distribution Proposal for 2017 was considered and approved by the Board on March 27, 2018 and is hereby submitted to the AGM for consideration and approval.

## 6. Considering and Approving the Annual Financial Budget for 2018

According to the Annual Financial Budget for 2018 of Bank of Gansu Co., Ltd. (《甘肅銀行股份有限公司2018年度預算方案》) considered and approved by the Board on March 27, 2018, the Annual Financial Budget for 2018 is set forth as follows:

Based on demand of strategic development and business expansion of the Bank, the Bank will control its total operating expenses budget within RMB2.5 billion, representing an increase of RMB530 million as compared with the actual operating expenses in 2017. In addition, the Bank will control its cost-to-income ratio within 35%. The increase in operating expenses is primarily due to the increase of manpower, additional investment in expanding business at operating branches, additional investment in technology, and increase in assets depreciation and amortization. The budget does not include the expenses which may occur when the Bank establishes new holding subsidiaries.

In 2018, the Bank intend to arrange fixed asset investment approximately RMB2.18 billion, which primarily include:

- (1) Approximately RMB1.72 billion will be used for operating buildings;
- (2) Approximately RMB380 million will be used for technology projects; and
- (3) Approximately RMB80 million will be used for office furniture and equipment.

The Annual Financial Budget for 2018 was considered and approved by the Board on March 27, 2018 and is hereby submitted to the AGM for consideration and approval.

## 7. Considering and Approving the Proposal Regarding the Engagement of External Auditing Firm for 2018

In order to maintain the continuity and completeness of audit work of the Bank, the Board proposed to re-appoint (1) Shinewing Certified Public Accountants LLP as the domestic external auditor of the Bank for 2018 to provide auditing services in the PRC in accordance with the PRC GAAP, and (2) SHINEWING (HK) CPA Limited as the international external auditor of the Bank for 2018 to provide auditing and review services overseas in accordance with the IFRS.

The terms of office of the above external auditors shall commence from the date of approval of this proposal by the AGM and shall expire at the conclusion of the annual general meeting for 2018 of the Bank. In addition, the Board also suggests that the AGM authorize the Board (and its delegates) to determine the remuneration of such external auditors based on the prevailing market rates and to execute the related contracts.

The Proposal Regarding the Engagement of External Auditing Firm for 2018 of Bank of Gansu Co., Ltd. (《甘肅銀行股份有限公司關於聘請2018年度外部審計機構的議案》) was considered and approved by the Board on March 27, 2018 and is hereby submitted to the AGM for consideration and approval.

## 8. Considering and Approving the Proposal Regarding the Election of Mr. Luo Yi as a Supervisor of the Bank

Reference is made to the Bank's announcement on the resignation and appointment of Supervisor dated March 27, 2018. Mr. Zhu Xingjie ("Mr. Zhu") tendered his resignation to the Board of Supervisors as an external Supervisor of the Bank, and the director of the audit committee and a member of the

supervisory committee under the Board of Supervisors on March 27, 2018 because he expects to focus on other affairs. The resignation of Mr. Zhu will take effect from the date when the new external Supervisor of the Bank formally assumes his role.

The Board of Supervisors approved the proposed appointment of Mr. Luo Yi (“**Mr. Luo**”) as an external Supervisor of the Bank at the eighteenth meeting of first session of the Board of Supervisors held on March 27, 2018.

The biography of Mr. Luo is as follows:

**Mr. Luo Yi (羅藝)**, born in December 1980, has been worked since June 2002 in Law School of Gansu Institute of Political Science and Law where he now serves as an associate professor, and concurrently served as a discipline editor of Western Law Review of Gansu Institute of Political Science and Law from January 2009 to December 2011. Mr. Luo obtained a bachelor’s degree in law from Gansu Institute of Political Science and Law in Gansu Province, the PRC in June 2002, majoring in economic law, a master’s degree in law from Northwest Normal University in Gansu Province, the PRC in June 2009, majoring in legal theory, and a doctorate’s degree in law from Wuhan University in Hubei Province, the PRC in December 2017, majoring in environment and nature resources protection law. Mr. Luo obtained the 2nd prize of Social Science Achievement Award of Gansu Province in 2017 and was honored the title of Outstanding Instructor in the Challenge Cup of Gansu Province.

To the knowledge of the Directors of the Bank, Mr. Luo did not hold any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years preceding the date of this circular, nor has he held any other position with the subsidiary of the Bank. Mr. Luo does not have any relationship with any Directors, Supervisors, senior management or substantial shareholders of the Bank. As at the date of this circular, Mr. Luo does not have any interests in the shares of the Bank within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, there are no other matters concerning the appointment of Mr. Luo that are required to be disclosed pursuant to Rule 13.51(2) of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange or any matters which should be brought to the attention of the shareholders of the Bank.

As at the date of this circular, the Bank has not entered into a service contract with Mr. Luo. Unless adjustment is required by the relevant applicable laws and regulations, the term of office of Mr. Luo shall be the same as this session of the Board of Supervisors. During his term of office as an external Supervisor, Mr. Luo will not receive remuneration from the Bank.

The proposal regarding the election of Mr. Luo Yi as a Supervisor of the Bank is hereby submitted to the AGM for consideration and approval.

## SPECIAL RESOLUTIONS

### 9. Considering and Approving the Proposal Regarding the Plan for Issuance of 2018 Financial Bonds

Reference is made to the Bank’s announcement on the proposed issuance of financial bonds dated March 27, 2018. The Proposal Regarding the Plan for Issuance of 2018 Financial Bonds of Bank of Gansu Co., Ltd. (《甘肅銀行股份有限公司2018年金融債券發行方案的議案》) was considered and approved by the Board on March 27, 2018 and is hereby submitted to the AGM for consideration and approval. The details of this proposal are set out in Annex C to this circular.

**10. Considering and Approving the Proposal Regarding the General Mandate to Issue Shares**

The Proposal Regarding the General Mandate to Issue Shares of Bank of Gansu Co., Ltd. (《甘肅銀行股份有限公司發行股份的一般性授權的議案》) was considered and approved by the Board on March 27, 2018 and is hereby submitted to the AGM for consideration and approval. The details of this proposal are set out in Annex D to this circular.



Dear Shareholders,

Now I report the work on behalf of the Board of Directors. Please raise your opinions and suggestions<sup>(1)</sup>.

## I. Review of the work in 2017

The year of 2017 is extraordinary and very challenging during the development of our Bank, and it has seen our endeavour in surviving the tests and our profound accumulation. In the year of 2017, we were faced with complicated economic situation and increasingly intensified market competition. Under the correct leadership of provincial party committee and provincial government and great support from regulatory departments, we've faithfully implemented the spirit of the 19th National Congress of the CPC, and studied Xi Jinping thought on socialism with Chinese characteristics for a new era, firmly established new development concept, comprehensively implemented the deployment made at the 13th meeting of party congress of Gansu Province, and spared no efforts in promoting listing and issuance of H Shares according to the strategic objectives confirmed by the Board of Directors. We have finished some milestone works and maintained stable development of main businesses, with the highlights listed as below:

- **Corporate governance has been further improved.** In respect of corporate governance, the institutional system has been further improved, the management structure has been further optimized, and the works of the Board of Directors and its special committees have been further promoted in accordance with listing requirements.
- **Profits have recorded new high.** In the whole year of 2017, our Bank recorded net profit of RMB3.364 billion, representing an increase of RMB1.443 billion or 75.12% as compared to the previous year. Moreover, our Bank recorded net income of RMB377 million for intermediary service.
- **Asset scale has been further expanded.** The year-end total assets reached RMB271.148 billion, representing an increase of RMB26.092 billion or 10.65%; and the balance of various loans (including discount) amounted to RMB125.255 billion, representing an increase of RMB21.156 billion or 20.33%.
- **The debt scale has increased steadily.** The year-end total debts reached RMB254.535 billion, representing an increase of RMB22.822 billion or 9.85%; and the balance of general deposits amounted to RMB192.231 billion, representing an increase of RMB21.066 billion or 12.31%. The ranking of balance was improved by one position to No.3 in the province as compared with the beginning of the year, and the newly increased balance ranked No.1 in the province. In particular, the balance of corporate deposits reached RMB82.429 billion, representing an increase of RMB5.326 billion or 6.91%; and the balance of saving deposits amounted to RMB82 billion, representing an increase of RMB18.4 billion or 28.93%, ranking No.2 in the province.
- **The asset quality is controllable on the whole.** The year-end balance of non-performing loans ("NPL") was RMB2.265 billion; the NPL ratio was 1.74%, representing a decrease of 0.07 percentage point as compared with the beginning of the year.
- **Main regulatory indexes have reached the standard.** The asset profit ratio was 1.3%, the capital profit ratio was 23.46%, the capital adequacy ratio was 11.54%, the provision coverage ratio was 222% and the provision-to-loan ratio was 3.79%, indicating that main regulatory indexes have reached the regulatory requirements. In 2017, we focused on the following works:

*Note:*

(1) The financial data in this report were prepared in accordance with the IFRS.

- (I) **Corporate governance and top-level design have been constantly promoted, and listing of H Shares was achieved under the strategic leadership.** In accordance with relevant regulations like Company Law and the Articles of Association, the Board of Directors closely monitored macro policies, regulatory trend, market trend and interbank information, faithfully performed the responsibilities granted by the general meeting, standardly carried out the operations, made decisions in a scientific manner, and constantly improved corporate governance. In the year of 2017, our Bank convened three general meetings, and we also held eight meetings of the Board of Directors to have special discussion, profound deployment and scientific decision-making on 46 material issues relating to the development of our Bank, which leads to the continuous and healthy development of various works. According to the new situation and new requirements, we have comprehensively revised the Articles of Association of our Bank, and the rules of procedure of general meeting, the Board of Directors and various special committees, and we also elected and re-elected some Shareholder Directors, Independent Directors and also appointed the secretary of the Board of Directors. With a view of achieving the development goal after listing, we have compiled the new three-year strategic development plan upon careful thinking. The new plan will lead and guide the development directions and operations in the coming three years. The Board of Directors has strictly implemented the resolutions made by general meetings, constantly improved corporate governance and continuously optimized the mechanism of information disclosure, effectively promoting the fulfilment of statutory duties by the “shareholders’ general meeting, the Board of Directors, the Board of Supervisors and the senior management” and guaranteeing the smooth operation of corporate governance. All special committees have actively fulfilled their duties, fully considered and discussed various resolutions, and actively raised opinions and suggestions from professional and objective perspectives, which have made the decision-making of the Board of Directors more scientific and professional.

In the past year, the Board of Directors, with strong sense of historical mission and duty, took the whole situation into account and coordinated with respective parties in order to promote the listing procedures of H Shares. On January 18, 2018, our Bank was successfully listed on the Main Board of the Hong Kong Stock Exchange, becoming the first listed city commercial bank in the Northwest. Such a historical breakthrough has significantly increased our market influence, comprehensive competitiveness and brand value. Excessive subscription occurred during both the IPO international offering and Hong Kong public offering, and over-allotment option was fully exercised. The total H Shares issued amounted to 2,543,800,000 and the funds raised reached HKD6.843 billion, which has enhanced our capital strength and capability of resisting risks. Moreover, through introducing diversified investors, we have improved our equity structure and corporate governance, laying a solid foundation for our continuing and stable operations and fast development.

- (II) **The development basis has been increasingly enhanced thanks to constantly focusing on customers meeting the strategy of “big government, big enterprise and big customer”.** Credit resources were properly allocated centering on the major industrial development and project construction of the province. In 2017, credit projects of RMB153.6 billion were approved and distributed. The strategic cooperation with governments at various levels has been promoted. We have signed new strategic cooperation agreements with nine cities and states and 63 counties and districts. We have signed agent agreement of pension insurance business and social insurance card cooperation agreement with provincial authorities and public institutions, and successfully become a member of the underwriting group of provincial government bonds; and the bidding-winning share in provincial national treasure cash management and fixed term deposit of social insurance funds have increased steadily, and the institutional deposits have increased by RMB7.083 billion as compared with the beginning of the year. Remarkable achievements have been made in agency of policy bank businesses. In 2017, we signed agent agreements for 119 projects, 103 of which have been invested. The funds undertaken amounted to RMB8.927 billion. We have established green financial department and initially formed the mechanism of green credit development, and issued the first RMB1 billion green financial bond on the inter-bank bond market in the province.

- (III) **By insisting on taking retail as a new growth point, the business transformation has been steadily promoted. First, remarkable progress has been made in “three rurals” works.** We have increased the fund investment in targeted poverty alleviation, focused on supporting the development of modern agriculture and special industry, and taken great efforts to support new agricultural business bodies, and distributed RMB29.621 billion agriculture-related loans in total. We have issued RMB2.5 billion “three rurals” bonds to promote the building of Gansu’s special agriculture and financial service system with sub-loan of Asian Development Bank. We have enhanced the efforts to support and benefit agriculture, and launched new products and services including “Dongxiang Restaurant Loan”, “E-commerce Loan” and “Heart-to-Heart among Farmers”. Effective works have been made in poverty alleviation and support. We have established pair-up poverty alleviation and support relations and organized supporting groups living in villages, and invested RMB2.96 million to resolve practical difficulties. The year-end balance of agriculture-related loans amounted to RMB43.243 billion, accounting for 33.86% of all loans. Our Bank was awarded the title of national “Top 10 Targeted Poverty Alleviation Bank” by Financial News. **Second, stable development has been seen in small and micro businesses.** Relying on the mode of “Internet+big data+scenario customers”, we have improved our product innovation capability and developed and launched on-line loan products such as “Gold e-Financing”, “Consumption e-Financing” and “E-commerce Loan”, achieving the targeted marketing and quick on-line acceptance of retail loans. We have enhanced the cooperation with Internet finance companies like JD, 360 and QianBaoCard in order to promote the building of on-line loan platform. **Third, personal businesses have been diversified.** Multi-level customer expansion activities were carried out, and seven customized products like Current Treasure of Smart Deposit and Cash Premium series were launched. Remarkable progress has been made in the expansion of social insurance card business. We have obtained the qualification of issuing social insurance card in provincial organs and seven cities including Longnan, Jinchang, Jiuquan, Wuwei, Jiayuguan, Tianshui and Pingliang, and issued 495,000 cards in total. The construction of “six wisdom” project has been continuously promoted. We have obtained the qualification of supervising the provision accounts of third-party payment of the project of “all-in-one card of Gansu”, and sustainable and healthy development has been seen in our settlement business. We have launched more than 100 kinds of precious metal distribution products, and sold RMB59.3 million precious metal products in total. **Fourth, service channel has been further optimized.** The three sub-branches in Jiayuguan, Linxia and Gannan directly under our Bank have been upgraded to branches, and we increased seven traditional sub-branches, two small and micro sub-branches, and cancelled and merged three institutions. At the end of the year, the institutions amounted to 202 in total. Moreover, we deployed self-service channels in a scientific manner, and increased 45 self-service banks. **Fifth, consumption finance has been actively promoted.** We have formulated the entire organizational structure and strategic operation plan of Longyin consumption, completed the selection of Shareholders and fund investment. Now we are waiting for the approval by regulatory departments.
- (IV) **Adhering to the principle of maximizing the profit, the contribution to new businesses has been further increased. First, the development of financial market businesses has been sped up.** We have enhanced the management for inter-bank credit, adapt ourselves to new regulatory rules, shifted from non-standard to standard, and from recommendation by third party to direct investment. We were recognized as “Excellent Issuing Institution” and “Excellent Self-Operation Institution” by China Central Depository & Clearing Co., Ltd., and were awarded “Best Progress Award” by National Inter-Bank Funding Center. **Second, investment banking business has been constantly promoted.** We have intensified our efforts of issuing wealth management products. In the year of 2017, we released 488 issues of wealth management products and raised RMB37.283 billion. The year-end balance of wealth management products amounted to RMB20.587 billion, increasing by 27.71% as compared with the same period of last year. The marketing of industrial fund has been promoted, and the year-end balance reached RMB25.273 billion. Moreover, we became the first city commercial bank of obtaining the underwriter qualification of debt financing instruments of non-

financial enterprises in the province. **Third, new progress has been made in international business development.** We have constantly expanded our service scope by shifting from settlement only with RMB to settlement with multiple currencies and we settled EUR500 million as an agent, making a breakthrough in issuing the letter of guarantee, international trade financing and issuing the letter of credit for import. We have become a formal member of foreign currency lending of Inter-bank Foreign Exchange Market. We have expanded our share on overseas RMB market, and settled USD664 million in the international market during the year, ranking No.6 among the peers in the province. **Fourth, financial management has been continuously enhanced.** We have standardized our collective procurement, and completed 92 collective procurement projects in the year of 2017, and the bidding-winning amount reached RMB492 million, saving the procurement cost by RMB50.93 million. We adhered to strict examination and approval of financial affairs, and have examined and approved 473 large-amount capital expenditures, involving RMB1.26 billion. We have enhanced the audit on the settlement of business outlets and affiliated projects, and saved the expenses by RMB7.1538 million.

(V) **Adhering to the means of extensive connection and speeding up on-line businesses.** The customer size increased rapidly. The year-end total individual customers signing via electronic channel reached 1,687,000; the year-end total customers signing via enterprise electronic channel reached 30,200; and the year-end total customers binding WeChat accounts reached 380,000. The volume of account transaction via electronic channel increased by 37.8% year-on-year. We made a breakthrough in obtaining on-line customers. Thanks to the direct banking platform, 418,000 individuals opened accounts on-line, and we recorded income of RMB29.13 million via intermediary service of “Longying e-Investment”. The on-line payment capability has been gradually improved. The trading volume via Alipay, WeChat and Suning quick payment amounted to RMB11.71 billion, and the trading volume via QR code settlement amounted to RMB1.53 billion. New progress has been made in Internet financial innovation, and systems like e-commerce platform of Longying shopping, Wisdom Community and “Benefiting Platform” have been put into operation. Moreover, the direct banking platform was awarded the “Innovative Application Prize” of 2017 by www.cebnet.com.cn.

(VI) **Adhering to the bottom line of compliance operation, and further improving the management and control of risks. First, the management and control of credit risks have been increasingly enhanced.** We have comprehensively optimized investment customers and business structure, enhanced off-site monitoring and early warning, strengthened the on-line and off-line monitoring and report mechanism of credit risks, intensified the check of risks in key areas like Continuous Loan Solution, extension, repayment by instalment, and accelerated the disposal of NPL, and resolved or disposed of RMB1.164 billion NPL in aggregate. **Second, the management and control of operation risks have been increasingly enhanced.** We have given full play to the role of three instruments of operation risks, and 93.95% of the problems found through internal and external supervision and examination have been rectified. We have checked the key operation risks of six business fields, 12 key business links and 31 items for inspection, and found 146 problems. **Third, compliance risk management has been enhanced increasingly.** We have formulated 116 rules and systems, increased 73 rules and systems and revised 43 rules and systems. Moreover, we have organized self-check of “three violations”, “three arbitrages”, “four misconducts” and “ten disorders”, checked the compliance of counter business, credit business and inter-bank investment and wealth management business at a large scale, and enhanced score-based accountability and liability attribution. We have established an anti-money laundering monitoring center, and established the prior, in-process and follow-up name screening and early earning mechanism which covers the account opening channel. Our anti-money laundering work has been recognized as Class A by the People’s Bank of China for three consecutive years. We have given full play to the supervising role of audit. We audited 18 projects in total, covering main businesses and branches and sub-branches at all levels.

- (VII) **Adhering to the support of scientific and technological building, the capability of guaranteeing the operation has been remarkably improved. First, the new core banking system was successfully put into operation.** Adhering to the principle of “high-standard start-up and high-quality implementation”, we have established the new generation core banking system, and developed 18 project clusters and more than 200 new systems in total, forming a SOA structure which centers on customers, focuses on products and is flexible, incorporates parameter setting and modularization. After being put into operation, the system withstood the test of key points like “double eleventh day”, and achieved the provision of 7 x 24 hours services for the first time during the year-end settlement. We have established the first-class, safe and reliable enterprise-grade data center of the industry in strict accordance with national standards of class A machine room and with some core modules built according to the highest T4 level of the international standard. **Second, remarkable achievements have been made in scientific innovation.** We have established three “clouds of Bank of Gansu” including production cloud, development and testing cloud and desk cloud. The operation of big data basic platform realized the connection between the Bank’s data and third party data. The disaster backup system building has been gradually improved with the disaster backup system building of new “two cities and three centers” being increasingly promoted and the new urban disaster backup center being put into operation. In this way, we achieved the “double activation” of urban application system successfully. The information system operated stably, and the trading volume increased steadily. What’s more, we were granted two third prizes during the evaluation of IT projects and project researches organized by the People’s Bank of China and CBRC. **Third, the capability of guaranteeing the operation has been increasingly improved.** We have enhanced the accounting management, with the problems found decreasing by 45.94% as compared with last year. We have intensified the monitoring of stock cash, with the cash provision ratio decreasing gradually and daily stock cash decreasing by RMB26 million year-on-year. We have emphasized the follow-up monitoring of counter business by uploading 21.63 million vouchers, monitoring 2.6 million key businesses and releasing more than 30,000 counter early warning messages, and our average error rate has been reduced to 0.0085%. Moreover, we have enhanced the tracking and management of the entire accounting operation process and comprehensively standardized the accounting of various businesses. Obvious progress has been made in trial projects of comprehensive counter reform by promoting the optimization of accounting voucher, electronic registration book, electronic seal and electronic seal verification.
- (VIII) **Adhering to building a high-caliber team, and the construction of party conduct and a clean and honest government has been constantly promoted. First, party building has been further strengthened.** We have faithfully studied and implemented the spirit of the 19th National Congress of the CPC, and Xi Jinping thought on socialism with Chinese characteristics for a new era, and comprehensively promoted the normalized and institutionalized study and education of “studying the party constitution and rules, and studying a series of talks, and acting as standard party member”. We have established the mechanism of “leading the study, self-study and study support”, faithfully implemented the system of organisational life, and carefully conducted democratic evaluation of party members. We have enriched the carriers of party building activity and organized themed party member activity day. We have urged secretaries of grassroots party organisations to enhance the evaluation of party building, so as to promote the faithful implementation of grassroots party building. **Second, the construction of party conduct and a clean and honest government has been increasingly enhanced.** We have adopted target management, which highlights two important links like responsibility evaluation and investigation. We have enhanced the investigation and accountability of misconducts, and bound the misconducts “without tolerance”. We patrolled 12 sub-branches, found more than 70 cases of violating rules and disciplines and investigated the responsibilities of 177 persons, generating warning and deterrent effects. **Third, the building of employee team has been constantly promoted.** We have exchanged and adjusted 157 cadres, improved and appointed 196 cadres, among which eight are carders above the level of assistant to

general manager and 188 are cadres above the level of deputy managers. Besides this, we dismissed 20 cadres. We have adopted the trial dispatch of risk director of sub-branches at the first level and selection of assistant of accounting examination, effectively supplementing the grassroots management team. We have promoted the mechanism of assuming post with licence. The employees' capability of fulfilling duties has been further improved thanks to the 166 training projects, which covers 7,780 person/time. **Fourth, enterprise cultural building has been increasingly promoted.** Guided by family culture, we have taken great efforts to uphold the enterprise culture of the Bank of Gansu and improve the morale of employees. We have implemented the plan of caring about employees by improving the career development channels of employees, establishing subsidy fund for serious illnesses of employees, optimizing the medical security mechanism of employees and organized various cultural and sports activities of employees. We were awarded titles like the advanced unit of national mass sports from 2013 to 2016, the second prize of tug-of-war match of the third staff sports meeting of national financial system, further increasing the sense of happiness and achievement of our employees.

During the investigation at our Bank, Song Liang, a standing member of provincial committee and deputy provincial governor, highly praised the works of our Bank, saying that the Bank of Gansu has glorified Gansu and boosted the development confidence of Gansu people. Such achievements are ascribable to the correct leadership of provincial committee and government, the substantial support of regulatory departments, and the strong sense of responsibility and the concerted efforts of all employees of the Bank.

## II. Understanding the current situation correctly

Faced with new era, new tasks and new requirements, we should comprehensively analyze and objectively judge the internal and external situations, further unify our thinking, improve the spirit and enhance the confidence of development.

As to the external environment, global economy maintains stable and improves steadily in the short period, and major economies like the United States, EUR zone and Japan continue recovering, and the economy of emerging markets and developing countries remains upbeat on the whole. Therefore, global economy is expected to recover. However, affected by various factors like constantly increasing global debt size, global economy will continue to fluctuate. Moreover, "black swan" and "grey rhinoceros" events may occur in some areas and the trade frictions among major countries have been intensified, causing great uncertainties.

As our country enters the new era of economic development, the promotion of high-quality development will be the fundamental requirement of determining development concept, formulating economic policies and implementing macro adjustment at present and in the future. This year, China will continue sticking to the principle of seeking progress in stability, implementing the new development concept and promoting the sustainable and healthy development of economy and society. As to the environment in Gansu Province, the economy is still undergoing the transformation between old and new momentums, the deep structural contradictions that impede development are still serious. We are faced with many pressures like weak economic vitality, slow growth of investment, downtrend of industry growth, intensified binding of environmental protection and increasing risks of local debts, and a series of challenges like increasing NPL and frequent occurrence of risky cases. However, the economy of Gansu Province is expected to gradually maintain stable and improve along with the implementation of new economic policies and substantial adjustment of economic structure by the provincial committee and government. In 2018, it is expected that the GDP will grow by about 6%, the fixed-asset investment grow by 7%, the total retail sales of social consumer goods grow by 8%; and the per capita disposable income of urban and rural residents grow by 7% and 8%, respectively.

From our own perspective, the listing in the Hong Kong Stock Exchange symbolizes that our Bank has entered the new development era, bringing new opportunities for new journey and new achievements. **First**, the funds raised from initial public offering of our Bank will be used to replenish core tier-one capital, which will fundamentally resolve the capital fund problem that has impeded the business development for long and will also generate many channels to replenish capital. This can effectively improve the capability of resisting risks and core competitiveness and cater to the regulatory requirements that have been increasingly intensified. **Second**, the strict and transparent monitoring on international capital market and all-around examination of international investors are good for our Bank in constantly optimizing corporate governance, optimizing equity structure, establishing scientific incentive and binding mechanism, improving management level and promoting the achievement of various development and strategic objectives. **Third**, our Bank has become the first listed bank in Northwest China, which has greatly improved our brand influence and will certainly attract the attentions of domestic and overseas investors and all walks of life. This has also helped create good conditions for our Bank to seek the development opportunities.

However, we are clearly aware that there are still many problems and shortcomings as compared with the expectations of provincial party committee and government, the requirements of regulatory departments, the new trend and new tasks after listing and the wishes of Shareholders. The setting of institutions, system and mechanism and business procedure cannot match the new trend yet. The imbalance and inadequacy of development are prominent, the customer base is weak, the strategy of big government, big enterprise and big customer is promoted slowly, and the effective credit loans distributed are not enough. There is still a long way to go to achieve the great development of retail businesses and the progress has not been significant. There remain great shortages in the capability of product innovation and R&D, and the income of intermediary services accounts for a relatively low proportion. We are faced with greater pressure of asset quality control, more complicated uncontrollable factors and tests of risk management capability. Moreover, the integrated operations, refined management and differentiated development remain to be deeply promoted. We lack the capability of making great achievements and the capacity of resolute implementation during the work. In the face of such problems, we should face up the shortcomings and the difficulties, and take effective measures to resolve them.

### III. Operation Goal and Key Works in 2018

The year of 2018 is the first year of comprehensively and faithfully implementing the spirit of the 19th National Congress of the CPC, and also the first year of implementing the first three-year planning after public listing of our Bank. We should faithfully implement the spirit of the 19th National Congress of the CPC, follow the Xi Jinping thought on socialism with Chinese characteristics for a new era, observe the overall deployment of the 13th meeting of the party congress of Gansu Province and national financial work conference and cater to the requirements of high-quality development. The major goals of operation and management in 2018 are as follows: the total assets exceed RMB330 billion, the general deposit increases by RMB30 billion, of which the corporate deposit increases by RMB15 billion and saving deposit increases by RMB15 billion. The various loans increase by RMB22 billion, of which the corporate loan increases by RMB6 billion, and small and micro loans and personal loans increase by RMB16 billion. Moreover, we aim at recording a net profit of RMB3.8 billion, and net income of RMB0.7 billion for intermediary service. The return on capital reaches 17.84%, the return on assets reaches 1.25%, and the NPL ratio is controlled within 1.73%. We should meet the regulatory standards in respect of major regulatory indicators, and there should be no accidents and cases of material liabilities.

In order to achieve the aforesaid objectives, we should faithfully and effectively improve our corporate governance in strict accordance with the regulations of domestic and overseas supervising institutions, exchanges and industry associations. On one hand, we should enhance investigation and exchange, learn from and study the advanced experience and mature methods of corporate governance of

city commercial banks listed in Hong Kong, so as to gradually establish a scientific and perfect governance structure and mechanism that meets the actual conditions of our Bank, and facilitates the liability attribution, efficient operation, effective check and balance of the Bank. On the other hand, we should provide various training and study opportunities for Directors, Supervisors and senior management, so as to improve their capability of fulfilling duties and form a mechanism which is standard and ordered, scientific and reasonable and features effective connection of decision-making, implementation, supervision and reporting. On this basis, we should focus on the following 37 key works in six aspects.

**(I) Unswervingly deepening the reform and strengthening the momentum of sustainable development.** We should take reform as the key momentum of operation and management, work hard in improving aspects like organizational structure, definition of functions and powers and evaluation mechanism, and accelerate the implementation of reforms in key areas, so as to create a vital internal environment for the development in the coming three years.

- 1. Adjusting and optimizing organisational structure.** We should adjust and optimize the organizational structure based on the principle of “matching the strategic development, activating internal momentum, meeting regulatory requirements and adopting problem-oriented method”. In respect of the head office, we should clearly define the duties of departments and resolve problems like ambiguous duties, shirking responsibilities and ineffective connection, so as to improve the operation efficiency of the organization and the management efficiency of the head office. In respect of branches and sub-branches, we should further integrate the setting of departments and adhere to the principle of “one-to-many”, so as to standardize the corresponding relationship between departments of branches and sub-branches and the head office, smooth the communication channel and improve work efficiency. In respect of business outlets, we should standardize the setting of job positions, clarify the duties of job positions, and improve standardized counter management and customer service.
- 2. Planning the future development.** We should properly prepare, revise, evaluate and implement the Three-year Strategic Development Planning (2018–2020). We should, relying on resources inside and outside the province and the domestic and overseas markets, accelerate the application for the qualification of integrated operations, promote the start-up of Longyin consumption finance, and try to make progress in applying for the qualifications of financial leasing, fund agency, third-party depository and bond underwriting. We should apply for establishing, or acquire or merge banks at villages and towns in different cities, so as to extend the service scope and improve brand image. We should set up operation team in Hong Kong in order to promote business development via Hong Kong’s status as international financial center.
- 3. Deepening the concentrated financial reform.** We should establish a financial sharing center which meets the requirements of corporate governance and the requirements of refined financial management, so as to deepen comprehensive cost management and optimize resources allocation. We should establish an allocation system of financial resources closely linked to performance evaluation and with various lines and blocks effectively connected, so as to enhance the support to quality, benefit and basic businesses. We should establish financial systems meeting international supervising standards and the overseas listing rules. We should also improve financial monitoring system, standards and methods and monitor the financial position and operating results of the Bank in a real-time manner.
- 4. Improving the evaluation and incentive mechanism.** We should adhere to the performance evaluation and salary incentive mechanism centering on economic added-value, enhance the risk and benefit binding mechanism with economic capital as the core, further break away from the mode of linking to target total salaries in respect of distribution of performance-based salary,



encourage the institutions with high value creation, sound risk management and control and fast transformation and development, and excellent efficiency per capita, optimize the profit distribution mechanism and promote comprehensive development. We should improve the design of indicators system, enhance the evaluation on indicators relating to retail, channel and customers, and promote the shift from “centering on products” to “centering on customers”.

5. **Promoting comprehensive counter system in an all-around way.** Based on the principle of adopting pilot reform in some areas and then promoting in an all-around way, we should first conduct comprehensive counter reform in operation rooms of various branches and sub-branches at the first level to make adjustments to the business layout, counter window setting and staff allocation, achieve standardized management of counter window, job positions, staff and workload, so as to promote the transformation towards the direction of streamlined structure, self-service and intelligent design.
  6. **Promoting concentrated management of business parameters.** With the building of the management system of “big operation and big accounting” as the starting point, we should realize the concentrated management of business parameters, faithfully give play to its role of price calculation, control and product innovation during the business operation and management of the Bank, and establish a business parameter management system with well-defined duties and smooth operation.
  7. **Promoting separation of front-line and back-line businesses.** We should simplify front-line operation, expand the scope of collective processing of back-line business, move up the level of concentrated management, and explore the way of building centralized and uniformed back-line business processing center. We should promote the reform of remote centralized authorization; explore the way of building an authorization system which is centralized, across business outlets and integrates various methods; realize comprehensive, timely and continuous remote authorization, so as to achieve the goal of controlling operation risks, improving authorization efficiency, optimizing the allocation of human resources and adjusting the layout of business operation.
- (II) **Unswervingly accelerating innovation, and cultivating and improving the core competitiveness.** We should constantly enhance the studying on technologies like mobile Internet, cloud computation, big data and artificial intelligence, deepen the application of various technological achievements in areas like targeted customer marketing, risk case prevention and product R&D, and build the new advantage of technology finance.
1. **Speeding up the research and application of financial technology.** We should enhance the application of Internet and mobile payment, build the Internet banking mode with modern scenes, and speed up the application of technologies like encryption arithmetic, face identification and iris identification. We should enhance the research and application of big data technology, accelerate the deep processing and model processing of data, enrich and improve the functions of big data management platform, and make breakthrough in the application in the area of individual customers. We should enhance the research and application of artificial intelligence, actively explore the way of applying smart equipment like smart counter and large-amount ATM. We should pay attention to the latest trend of the research of block chain technology, and explore the application scenes fit for the business development of our Bank. We should establish the mechanism of cultivating and introducing talents of technology innovation, and improve the evaluation mechanism of innovation achievements.
  2. **Promoting the improvement of “new core”.** We should accelerate works such as problem handling, improvement of functions and performance, and process re-engineering of “new core” system; complete the optimization and operation of channels such as counter and Internet and systems relating to Union pay and the People’s Bank of China, ensuring that system building always matches with the requirements of business development, and operation and management.

Meanwhile, we should, on the basis of “new core”, conduct independent R&D, and focus on rapidly developing and promoting intermediary businesses and special projects like the wholesale business, public finance business and agency business.

- 3. Improving the capability of on-line customer service.** We should, relying on the upgrading of personal mobile client-side APP, deeply understand customer needs, enrich the functions of scenes, improve products like on-line deposit and loan, wealth management, and livelihood services, and improve customer experience and the utilization efficiency of customers. We should open mobile financial service sector of “three rurals”, and extend service scope to lower levels through deploying special products applicable to customer groups of “three rurals”. We should, starting from the direct connection service between banks and enterprises, develop customized functions for large enterprise customers, add practical functions like call deposit and overdraft of corporate account on on-line enterprise banking, so as to improve the services for large enterprises.
  - 4. Actively exploring new approaches of obtaining customers.** We should give play to the advantages of on-line account opening for accounts of type II and III in order to closely connect with various consumption and trading scenes, open the on-line payment and consumption channels for accounts of type II and III, and achieve channel diversion and obtain large quantities of customers relying on the traffic resources and advantageous products of other platforms. We should fully utilize data center and big data technology to establish data base and analysis model, improve the capability of collecting and analyzing customer information, precisely make a “portrait” of customers, prematurely judge potential financial needs and promote relevant products through technological means like SMS, so as to obtain “customer via the on-line method”.
  - 5. Effectively improving on-line profitability.** We should accelerate the withdrawal of off-line payment via scanning QR code, promote the synchronous development of on-line gateway payment and quick payment, and obtain benefits through channel output. We should enrich the types of direct banking products, expand the scale sales, and improve the contribution to intermediary businesses. We should, relying on self-made trading scenes like aggregate payment and e-commerce platform, effectively store data information of customer transactions, so as to lay a good foundation for carrying out financing for small and micro merchants, e-commerce loans, and supply chain financing of merchants in shopping malls.
  - 6. Enhancing the cooperation with external platforms.** We should learn the experience of applying technologies like big data, block chain and anti-fraud from Internet enterprises, such as Tencent, JD, Suning and QianBao, which have the advantages of advanced financial technology, so as to flexibly introduce products, constantly enrich the functions, including on-line payment, Internet loan, consumption by instalment, asset cooperation and on-line account services, meet the diversified needs of customers, accumulate customer data, improve the capability of obtaining and activating customers via channel.
- (III) Unswervingly shifting to retail business and constantly enhancing customer base.** According to the overall requirement of “embracing Internet, connecting to hundreds of millions of people, playing the card of retail and rebuilding the main battlefield” and the service concept of “benefiting the public and caring about tens of thousands of families”, we should lead the grassroots branches and sub-branches to focus on the big retail businesses like “three rurals”, medium, small and micro enterprise business, and personal business, and accelerate the optimization of business structure and customer structure.

- 1. Enriching the product lines of personal business.** We should promote new saving products such as long-term annuity fund deposit products and new fixed deposit by instalments. We should increase the types of precious metal products, grasp the opportunities brought by hot issues or important festivals and holidays to enhance the marketing of precious metal brand gold products, actively launch businesses such as investment gold, deposit gold and “T+D” business. We should comprehensively promote businesses like insurance agent, accelerate the application for qualifications of fund business, and promote fund products on an earlier date. We should accelerate the transformation of “debit card” business, and expand the scope of social insurance card business. We should find quality merchants through smart POS and “Benefiting the Public” business, so as to increase the comprehensive contribution of merchants.
- 2. Establishing wealth management system.** We should promote the level management of customers, expand the service scope for high-end customers, establish the three-level wealth management system featuring “Huifu Wealth Management”, “Huifu Wealth” and “Huifu Private Banking”, actively introduce various professional financial consulting services like personal wealth management and investment consultancy, and plan and organize various value-added services. We should improve the allocation of wealth management managers, and improve the performance-based evaluation system of wealth management managers.
- 3. Rebuilding self-service channel.** We should improve the building of self-service channels in counties, optimize and adjust the layout of off-premise self-service banks. We should deeply promote the task of providing financial services for the general public, realize the deep integration of on-line and off-line financial services in rural area, and accelerate the implementation of new mode featuring “supply and marketing+ finance” in Gangu, Tianshui City. We should build “streamlined+intelligent” business outlets, adjust and optimize the operation mechanism of (small and micro) sub-branches in communities, and complete the building of intelligent systems. We should accelerate channel diversion and replacement of manpower, enrich and reform the functions of traditional self-service businesses.
- 4. Doing a good job in issuing credit card.** We should find the market positioning correctly, well plan the development direction and operation mode, design good processes, products and services, fully cover the consumption scenes and customer interests with self-made credit card APP as the carrier, rely on advanced systems like “on-line self-service card application platform” and “instant card issuing system”, improve the efficiency of card application handling, reduce the cost of card issuing, build function experience zone of the “Benefiting Platform”, build the “Benefiting Platform” as a “platform of credit card marketing” with perfect functions and good customer experience, and provide targeted service with transaction data.
- 5. Taking great efforts to develop retail credit business.** We should rely on technological means to analyze the data of retail assets, debts and trading customers, prepare a “white list” and conduct product innovation and secondary marketing. We should accelerate the merchant expansion and customer demand analysis of hot consumption areas like second-hand auto, decoration, tourism, education and caring about the elderly, and develop credit models using customer consumptions, outside data and cloud computation, so as to enrich the customer group of retail loan in consumption field. We should simplify the handling procedures of general consumption loans through big data and Internet technology, and import third party information through the connection with cooperation institutions like real estate agencies and automobile distributors, so as to promote targeted marketing of retail loan. We should, relying on the Internet products that have been launched at the preliminary stage and the on-line loan platform, accelerate the data analysis and big data application of the Bank, actively introduce outside data, establish our big data risk control model, and develop on-line loan products facing the public all over the country. We should launch credit addition loan for consumption targeting at customers

with mortgage loan, small-amount loan for consumption by instalment of social insurance card customers, house rental loan, etc. We should enhance the cooperation with tax agencies, accelerate the development of mortgage and pledge loan with equity, patent, trademark right and copyright, and cultivate loyal small and micro customer groups.

6. **Sparing no efforts in developing “three rurals” businesses.** According to the strategy of reviving the countryside, we should actively understand the financial needs of enterprises in counties, and increase the support for areas like ecological agriculture, facility agriculture, experience agriculture, customized agriculture, Gobi agriculture, village tourism, and e-commerce in rural areas. We should actively promote the marketing for agriculture-related units and key customers, and enhance the connection and services for customers in special industries and systematic industry. We should spare no efforts in supporting targeted poverty alleviation, promote the loan for the development of special industries, infrastructure construction in rural areas and comprehensive treatment projects of the living environment. We should enhance the post-loan management of small-amount loan for targeted poverty alleviation, formulate practical management measures, and conduct classified and hierarchical management. We should properly conduct targeted poverty alleviation by integrating basic poverty alleviation, industrial poverty alleviation, ecological poverty alleviation, intelligent poverty alleviation, accelerate the implementation of “one policy for one household”, so as to achieve stable poverty alleviation of the poor.

**(IV) Unswervingly accelerating the development and deeply promoting integrated operations.**

We should comprehensively understand the demands of real economy, take serving the supply-side structural reform as the main line, center on the three strategies of driving via innovation, strengthening the province via industry and reviving the countryside, make plans based on Gansu’s key projects of infrastructure construction and industrial transformation, and accelerate the pace of integrated operations.

1. **Deeply expanding the strategy of “big government, big enterprise, big customer” to support customers.** Relying on the strategy of “big government, big enterprise, big customer”, we should deeply dig the all-around business needs of corporate customers, and enhance the combined marketing of traditional products and creative products, on-line products and off-line products, corporate products and personal products. We should prepare marketing plan based on “one policy for one household” for each “big enterprise and big customer” that has signed the strategic agreement, and each of the 10 integrated and restructured state-owned enterprises under Gansu Province, and each of our Shareholders and investors of cornerstone strategy. We should enhance the contacts with departments like development & reform commissions, industry and information technology departments, and land and resources departments, so as to improve the capability of understanding the policies and obtaining the information, and analyzing the data. Moreover, leaders of the head office should take charge of key customers and major projects and conduct interactive marketing which integrates various links at all levels.
2. **Taking great efforts to increase the comprehensive contribution of corporate customers.** We should increase the business settlement volume with credit customers, and the agency volume of policy bank businesses, actively undertake credit customers, and downstream customers of fund agent of policy bank businesses, reduce the proportion of “naked loan customers”, and establish a closed-circle system featuring circulation of customer funds inside the system of our Bank. We should focus on increasing basic settlement accounts, and improve the marketing capability of basic customers, dig out the cooperation space with customers having “zero balance”, and improve the proportion of effective accounts. On the basis of analyzing

Gansu's leading industries and features of strategic customers, we should shift from single marketing to chain combined marketing, and build financial brands like "Longyao Finance" and "Logistics Finance". We should create new mortgage and pledge modes of green credit, explore credit businesses like financing with energy efficiency, financing with carbon dioxide emission right, and financing with sewage emission right.

- 3. Focusing on developing financial market businesses.** We should increase the investment in asset securitization products, expand investment products like Commercial Mortgage Backed Securities (CMBS) and Real Estate Investment Trusts (REITS), and actively develop asset-backed securities (ABS) investment channels like special asset management account. We should better serve excellent enterprises, formulate a package of comprehensive financial market service plans with credit bond investment as the link, and create special bond business mode. We should increase the allocation of current assets, improve the allocation scale of interest rate bonds, reasonably distribute the proportions of the assets held under resale agreements and interest rate bonds with various terms, and increase the proportion of long-term bonds. We should explore new modes of non-standard asset investment, and formulate comprehensive service plans relating to bill, bond, supply chain financing, structural financing and non-standard investment for customers. We should promote the development of direct bill discounting, set market-oriented discount FTP curve, improve our Bank's re-discount rate of acceptance bill, and reduce the trans-discount price within the Bank. We should resolve the existing entrusted loans according to laws and regulations, actively reduce "channel" businesses of trust companies, and adopt uniform credit management and collective management and control against final debtors.
- 4. Steadily developing investment banking.** We should, according to regulatory requirements, enhance the management over design and issuance of wealth management products of Huifu series, learn from the methods of excellent peers, enrich product types and asset investment areas, enhance the management of bottom assets, and steadily increase issuance scale. We should enhance the centralized and uniform management over non-standard debt investment businesses. We should actively conduct businesses, including short-term financing, medium-term bills, collective bills for small and medium enterprises and bonds for private placement.
- 5. Actively developing international businesses.** We should, centering on the construction of Gansu's three international inland ports, airports and Sino-Europe channel, Sino-Asia channel, Sino-Singapore southward channel, enhance the development of asset businesses like foreign exchange financial products, conduct self-operated exchange settlement and sales, lending to the foreign currency market and currency swap. We should enhance the marketing for import and export enterprises, with which we have established credit relations, so as to include them as our customers of integrated service of domestic and foreign currencies. We should enhance the relations with departments like financial departments, commercial departments, development and reform departments, which are related to foreign exchange business, so as to obtain service trades like large-amount donation, investment, external debts and information of customers of foreign exchange businesses of capital projects, and attract large-amount foreign exchange deposits. We should actively conduct the financing business of international trade of key import and export enterprises, so as to increase the income of interests. We should sort out the existing customers and gradually give up customers with flaws.
- 6. Enhancing the support of talents.** We should improve the building of leading groups in branches and sub-branches, optimize the structure of leading groups, and increase the entire strength of the leading groups. We should implement the management on employee career planning, investigate the development directions of employees, and provide targeted post

exchanges and business trainings. We should launch the appointment of posts entailing professional skills in the Bank, and enhance professional cultivation and hierarchical management of marketing staff. We should formulate opinions on cultivating young cadres, select a number of excellent young cadres to work at grassroots level, and build a team of adequate young cadres with reasonable structure and excellent qualities. We should launch the building of mobile study platform, organize high quality study and training classes at various levels, conduct a new round of cultivation plans of internal tutors, and build a team of internal tutors covering various professions and with reasonable structure.

**(V) Unswervingly enhancing basic management and improving risk management and control.** We should firmly establish the awareness of risk bottom line, improve the political position, keep clear mind, stress the responsibilities of main bodies, highlight the key points of risk management and control, enhance the risk prevention and control in key areas and prevent the occurrence of major risks absolutely.

- 1. Enhancing credit examination and approval.** We should closely connect supporting and guaranteeing business development with risk management and control, and prevent the risks of new credit businesses. We should, through profound market survey and analysis, improve the guidance of credit policies, and clarify the access threshold and exit principle of industry and business. We should conduct differentiated credit policies against different provinces, regions and industries, further bring forward risk points, and design targeted business products, examination and approval processes, and risk measures.
- 2. Adjusting and optimizing credit structure.** We should forecast the possible risks during structural adjustment of the economy, and speed up the structural adjustment and exit of the existing credit businesses that may incur risks, and strictly control the risks of the existing credit businesses. We should try to conduct quantitative evaluation system of structural adjustment of existing credit businesses. According to national macro adjustment policies and the principle of prudent operation required by regulatory departments, we should optimize the structure of the existing credit businesses for real estate industry, and industries with “high energy consumption, high pollution or excessive capacity”, and government financing, so as to effectively prevent industrial and centralization risks.
- 3. Firmly combating risky assets.** We should reform our thinking and enhance the management from aspects like management system, incentive mechanism, responsibility investigation and work methods. As to the management system, we should actively explore the management mode of operation by special staff, establish and improve the organisational structure at the level of both the head office and branches (sub-branches), so as to realize the professional operation and management of risky assets. As to the award and punishment mechanism, we should put forward the incentive mechanism of reducing NPL, mobilize all the staff in clearing and collecting NPL; identify the responsibilities of each NPL, lift the level of investigation of responsibilities, and increase the punishment. In respect of the specific collection measures, we should dare take specific measures, unique measures and extend the works to sub-branches, connect with customers, find the problems of risky assets by investigating each account holder, take great efforts to formulate a plan for each account holder, set the objective, task, time, progress, and mobilize the head office, branches and sub-branches, and clearly define the responsibilities and promote the implementation.

- 4. Improving the overall risk management level.** We should fully consider the strict supervision and risk control requirements after listing, rely on the core of “asset quality management and control” and professional systems like new generation credit system and big data early warning system of credit risks, and introduce big data information and technology and improve the management and control of credit risks. We should, based on the principle of “penetrating the risks”, enhance the control of substantial risks of various investment businesses to manage the market risks. We should, according to the management requirements of compliance operation, and with reference to the changing features of some business processes after the operation of new core system and the problems found during various examinations, sort out and adjust the existing inspection points of key risks, and include the inspection points of key business links that are under strict supervision and likely to incur risks into the key examination subjects, so as to enhance the management of operation risks.
- 5. Strengthening management on assets and liabilities.** We should enrich the allocation of current funds, expand the channels of on-line market transactions, actively establish mutual liquidity support mechanism with other city commercial banks, enhance liquidity pressure test, optimize liquidity emergency plan, and flexibly adjust asset and liabilities structure. We should launch the building of assets and liabilities management system, and build a management mode of assets and liabilities, liquidity risks, interest rate risks and exchange rate risks that is suitable for the business development of our Bank. We should enhance active liabilities management, actively explore the utilization of new liability instrument, and raise medium- and long-term funds through issuing common financial bonds, and “three rurals”, “small and micro” and “green” financial bonds.
- 6. Improving the operation and guarantee of accounting.** We should implement the “blacklist” management mechanism of institutions, managers and counters in an all-around way, fully utilize remote monitoring equipment to enhance off-site investigation, organize special governance activities of payment and settlement accounts, management over fulfilment of duties and authorization by accounting managers, and treasure management. We should optimize electronic seal management system, establish account management system, develop the system of credit investigation and handling abnormal information. We should enhance the obligation of finance serving the society, and faithfully do the works related to monetary gold and silver. We should implement pilot projects of new tail box key management, so as to improve the technological prevention of risks during cash management. We should sort out self-monitoring indicators of money laundry, and optimize the evaluation process and system of money laundry risks. We should optimize follow-up monitoring model, and give play to the risk management function of standardizing and leading the compliance operation of counter business, and eliminating potential risks of counter operation. We should enhance the management of account check between banks and enterprises, and improve the coverage ratio of electronic account check.
- 7. Improving the management of network and information safety.** We should launch ISO27000 information safety management system consultancy and accreditation project to establish standardized information safety management system. We should improve the capability of emergency management and handling emergency events, optimize and supplement various emergency plans, improve the disaster back-up system of “two cities and three centers”, launch the construction of phase II of disaster back-up center in the same city and the construction of disaster back-up center in different cities. We should constantly conduct the safety evaluation of information system, comprehensively promote the safety inspection tools of source code of software in all aspects, and standardize the quality management of software code.

8. **Giving play to the monitoring role of audit.** We should adhere to the audit principle of emphasising both risk orientation and strategic orientation, and focus on basic management quality of grassroots institutions, and reveal the flaws and potential risks of system, process and internal control. We should explore the building of evaluation model of internal audit risks, properly complete medium-term planning of audit projects, and conduct constant and dynamic audit monitoring of major risky areas, business units and key supervision areas. We should improve the rectification mechanism, formulate the standard of classified rectification and follow-up standard, and ensure the rectification efficiency and results through methods like rectification within limited period, follow-up of key areas and enhancing the investigation of responsibilities. We should, start from new core system and big data platform, deepen the application of off-site audit technology based on big data analysis, establish three-dimensional audit monitoring model system of various business areas, and expand the depth and width of off-site audit.
  9. **Intensifying compliance management.** We should enhance the management of rules and regulations, and regularly carry out re-check and follow-up evaluation of rules and regulations. We should constantly conduct special compliance examination, establish a talent base of compliance examiner, and enhance the management and control of risky links, and key systems, key posts and key staff. We should improve the system and process of identifying responsibilities, enhance the check and balance of posts, and gradually adopt both violation and award points system. We should develop the management system of related party transactions, and achieve effective prior control. We should optimize the text of formal contracts, formulate an operation manual of examining non-formal contracts, enhance the management of external lawyers, and improve the quality and efficiency of handling litigation cases. We should carry out activities like “all the staff stressing compliance” and “all the staff studying rules”, and improve staff’s compliance awareness and quality.
  10. **Enhancing the management of case prevention and control.** We should enhance the management and control of branches and sub-branches at the first level, reinforce the front-line monitoring staff, and enhance the capability of “on-site control”. In respect of the links that are likely to generate cases, we should carry out flight check without notice, so as to enhance the supervision and examination of key periods, and key businesses. We should take the supervision of staff behaviours as the key point of case prevention, enhance the monitoring and check of behaviours of responsible persons of grassroots institutions, key posts and key staff, and enhance the supervision of behaviours of off-site employees. We should give cases “zero tolerance”, and should strictly investigate the responsibilities level by level, so as to form a mechanism and atmosphere of “not thinking of, daring not and having no way to cause accidents”. We should improve safety rules and systems, enhance the security supervision and examination, so as to effectively eliminate hidden safety hazards.
- (VI) Enhancing party building and the construction of party conduct and a clean and honest government, and laying a solid organisational foundation for healthy development.** We should, guided by Xi Jinping thought on socialism with Chinese characteristics for a new era, comprehensively follow the general requirements of party building in the new era put forward at the 19th National Congress of the CPC, strictly and faithfully enhance party building, so as to provide strong organizational guarantee for continuous development.



1. **Constantly enhancing party building.** We should take “stressing politics” as the first observance, the first standard and the first requirement, improve “four awareness”, increase “four confidence”, strictly abide by the party’s political disciplines and rules, and always maintain a high degree of unity with the Party Central Committee with Xi Jinping as the core on political position, political direction, political principle and political road, and firmly uphold the authority and the collective and uniform leadership of the Party Central Committee, and absolutely work together with provincial committee and provincial government. We should deepen the standardization of party branches, intensify the education, management and supervision of party members, successfully complete “the last mile” of the goal that the Party shall exercise self-governance in all aspects, constantly promote the normalization and institutionalization of “studying the party constitution and rules, and studying a series of talks, and acting as standard party member”, faithfully carry out the education themed on “bearing in mind the original intention and historical mission” and unwaveringly utilize the spirit of the 19th National Congress of the CPC to arm our mind, instruct the practice and promote works.
  
2. **Constantly enhancing the construction of party conduct and a clean and honest government.** We should faithfully follow various regulations and requirements put forward by the Central Committee, provincial committee and provincial committee for discipline inspection on integrity and self-discipline; unwaveringly improve style and closely monitor key problems like consumption with public money; closely monitor obvious problems like failure to take responsibilities for fulfilment of duties and inaction; closely monitor prominent issues such as playing tricks when carrying out tasks; closely monitor the integrity risks of key areas and key links, comprehensively carrying out key tasks such as implementing the regular activities of the Party organization in a stringent manner, and making regular supervision and accountability for discipline enforcement; implement disciplinary requirements strictly; investigate the responsibilities seriously; and constantly increase “four concentrations” of employees on politics, discipline, morality and refusal to corruption.

As we enter the new era and new journey, it is of great importance to finish the works of 2018. We are faced with arduous tasks. Under the correct leadership of provincial committee and provincial government and great support from regulatory departments, and according to the arrangement and deployment of the Board of Directors, we strive to create a new situation for the works of our Bank with our courage to overcome difficulties, our strength to keep on fighting in spite of all setbacks and our style of being practical.

The above report is proposed for your consideration.

During the Reporting Period, the Board of Supervisors continued to strengthen its capabilities and improve its executing capability pursuant to the Company Law, the Guidelines on Corporate Governance of Commercial Bank and the Articles of Association, and carried out supervision of performance of duties, finance, internal control and risk management to facilitate the regulated operation and sound development of corporate governance.

## **I. Principal work of the Board of Supervisors**

During the Reporting Period, the Board of Supervisors added two external Supervisors according to the statutory procedure and adjusted the members of the supervisory committee, nomination committee and audit committee, optimized the organizational structure of the Board of Supervisors. The Board of Supervisors consists of nine Supervisors, including three employee representative Supervisors, three shareholder Supervisors and three external Supervisors, and each of its committees consists of five members, the chairman shall be acted by an external Supervisor, thus satisfying the regulatory requirements on the composition and proportion of members of Board of Supervisors.

During the Reporting Period, a total of five meetings were convened by the Board of Supervisors to consider 19 resolutions involving the listing of H Shares, business operations, internal control, risk management, and corporate governance; the Board of Supervisors listened to 20 reports involving internal audit, connected transactions, and asset quality. Seven special committee meetings were convened to review reports on performance of duties, financial management, risk management and internal control. In addition, Supervisors attended the general meetings and presented at all the on-site meetings of the Board, conducted supervision over the legal compliance of the convening, voting procedures of the shareholders' general meetings and the Board meetings and Directors' attendance, opinions and voting thereat.

During the Reporting Period, all three external Supervisors of the Bank were able to perform their supervisory duties independently. In performance of their duties, the external Supervisors proactively familiarized themselves with the operation and management of the Bank by attending meetings of the Board of Supervisors, convening special committee meetings of the Board of Supervisors, attending the Board meetings, participating in the Board of Supervisors' investigations and surveys conducted (on a collective or separate basis) at branch level, and expressed opinions and suggestions on significant matters. During the adjournment of the Board meetings and the meetings of Board of Supervisors, the external Supervisors were able to review various information including archive files and reports of the Bank and exchange opinions with the Board of Directors and senior management on any findings in a timely manner, thereby playing an active role in performing their supervisory duties.

During the Reporting Period, the Board of Supervisors evaluated the duty performance of Directors, Supervisors and senior management for 2017 in accordance with the requirements of the Guidelines on the Functioning of Board of Supervisors Commercial Banks, the Articles of Association and the Measures of the Board of Supervisors of Bank of Gansu Co., Ltd. on Due Diligence Supervision Over the Directors, Presidents and Other Senior Management. After evaluation, the Board of Supervisors believed that the Board of Directors fully performed its decision-making and supervision functions, and formulated plans with respect to development strategies, risk management and internal control policies, and capital planning for the Bank's business development goals, operations and risk conditions, and risk tolerance capabilities in accordance with the current economic and financial conditions. Through the implementation of authorized management and target assessment for senior management, the senior management was promoted to effectively implement the resolutions of the Board of Directors and promote the realization of various operation and management objectives; the senior management effectively implemented the

strategic decisions of the Board of Directors. After fulfilling the annual business objectives made by the Board of Directors, the senior management continued to strengthen efforts to speed up the adjustment and optimization of business structure, effectively enhance the risk management capabilities, improve the internal control system, which plays an active and important role in corporate governance and business management and improves the Bank's comprehensive benefits and brand influence. Upon evaluation, it is considered that all Directors, senior management members and Supervisors were competent.

## **II. Independent opinions issued on relevant matters**

### **(I) Compliant operation**

The business activities conducted by the Bank in 2017 were in compliance with the requirements of the Company Law, the Commercial Banking Law and the Articles of Association, and decision-making procedures were lawful and valid. Neither violation of laws, regulations or the Articles of Association nor harm to the interests of the Bank or Shareholders during performance of duties by the Directors or senior management of the Bank was identified.

### **(II) Authenticity of the financial report**

SHINEWING (HK) CPA Limited has audited the financial report for 2017 prepared by the Bank under the IFRS and issued a standard unqualified audit report thereon. The Board of Supervisors was of the view that the financial report gave an objective view of the financial position and operating results of the Bank, and no false records or material omissions were found.

### **(III) Related party transactions**

The Board of Supervisors was not aware of any related party transaction conducted by the Bank in 2017 which was against the principle of fairness or detrimental to the interests of the Bank and its Shareholders.

### **(IV) Implementing resolutions of the Shareholders' general meeting by the Board**

The Board of Supervisors had no disagreement upon any reports and proposals submitted by the Board to the Shareholders' general meeting for consideration in 2017, and was of the view that the Board diligently implemented relevant resolutions passed at the Shareholders' general meetings.

In 2018, the Board of Supervisors will continue to optimize supervision measures and deepen its supervision work in accordance with domestic and overseas regulatory requirements and the duties conferred by the Articles of Association of the Bank, aiming at further improving the independence and effectiveness of its supervision efforts.

The above report is proposed for your consideration.

According to relevant laws and regulations such as Measures for the Administration of the Issuance of Financial Bonds in the National Interbank Bond Market (《全國銀行間債券市場金融債券發行管理辦法》), Operating Procedures for the Administration of the Issuance of Financial Bonds in the National Interbank Bond Market (《全國銀行間債券市場金融債券發行管理操作規程》) and Measures of the CBRC for the Implementation of Administrative Licensing Matters Concerning Chinese-funded Commercial Banks (《中國銀監會中資商業銀行行政許可事項實施辦法》), as well as the Articles of Associations, the Bank proposes to issue financial bonds in an aggregate amount of no more than RMB10 billion (inclusive) (the “**Financial Bonds**”).

Particulars of the plan for issuance of the Financial Bonds are as follows:

### **1. Size of the Issuance**

The aggregate issuance size of the bonds will be no more than RMB10 billion (inclusive) and will be in compliance with the requirements of regulatory authorities and the relevant laws and regulations regarding the maximum amount of financial bonds to be issued, with the final issuance size subject to the amount approved by regulatory authorities.

### **2. Issuance in Tranches**

The Financial Bonds are to be issued in one tranche or several tranches depending on the market conditions.

### **3. Nature of Bonds**

The repayment ranking of the principal and interest will be the same as the general liabilities of commercial banks, and will be senior to long-term subordinated debts of commercial banks, tier-two capital instruments, hybrid capital bonds, other tier-one capital instruments and unsecured commercial bank financial bonds of equity capital.

### **4. Bonds Types and Maturity**

Bond types include, but are not limited to, non-capital financial bonds such as ordinary financial bonds and/or special financial bonds for small and micro enterprises, special financial bonds for “agriculture, farmer and rural area” and green financial bonds. Each tranche of bonds will have a term of no longer than 10 years. Within the proposed scale of issuance and before the proposed issuance, the specific proportion, maturity and scale of various types of bonds will be finally determined according to the actual demand of the Bank, the market conditions or the investors’ subscription conditions.

### **5. Coupon Rate**

The coupon rate of each bond may adopt a fixed rate or a variable rate or a combination of both of them pro rata. The actual interest rate will be determined according to the domestic market conditions upon the issuance of the Financial Bonds and pursuant to relevant regulations on the administration of the interest rate of financial bonds.

### **6. Method of Issuance**

The Financial Bonds will be publicly issued to all members of the national interbank bond market.

## 7. Use of Proceeds

Different types of non-capital financial bonds have different special uses:

- Proceeds raised from issuance of ordinary financial bonds will be used to optimize the Bank's balance sheet structure pursuant to the applicable laws and as approved by regulatory authorities.
- Proceeds raised from issuance of special financial bonds for small and micro enterprises will be used for loans to be granted to small and micro enterprises to support their development.
- Proceeds raised from issuance of special financial bonds for "agriculture, farmer and rural area" will be used for loans related to "agriculture, farmer and rural area", so as to support the development of "agriculture, farmer and rural area".
- Proceeds raised from issuance of green financial bonds will be used for loans to be granted for green industry projects, so as to make a contribution to the development of green finance and the sustainable development of green economy such as environmental protection, energy conservation and comprehensive utilization of resources.

## 8. Validity Period

The validity period of this proposal will be 24 months from the date on which this proposal on the issuance of non-capital financial bonds is passed at the AGM.

## 9. Authorization

To effectively coordinate the specific matters relating to and during the issuance of non-capital financial bonds, the Board will propose at the AGM that the Board shall be authorized to deal with all matters at its sole discretion in relation to the issuance of the Financial Bonds in accordance with the provisions of relevant laws and regulations and opinions and recommendations from regulatory authorities and in compliance with the principle of acting in the best interest of the Bank, and subject to the authorization granted to the Board at the AGM, be permitted to delegate the authorization to the Chairman, and permit the Chairman to delegate authorization to any member of the management appointed by the Chairman of, including but not limited to, the timing of issuance, specific amount of issuance, whether to issue on a one-off, multiple issuance, multi tranches issuance or multiple-category issuance basis and, if on multiple issuance, multi-tranche issuance or multiple-category issuance basis, the specific terms of each issuance, each tranche and each category thereof, the way in which the interest rate is determined, interest rate level, pricing method, issuance arrangements, use of proceeds, applying for bond listing and circulation, arrangement of principal and interest payments, and all other matters relating to the issuance and listing of the Financial Bonds. Except for matters required re-voting at a general meeting of the Bank pursuant to relevant laws, regulations and the Articles of Association, the Board shall be authorized to make corresponding adjustments to the issuance plan of the above Financial Bonds or to matters relating to the issuance and listing of the Financial Bonds according to the opinions of regulatory authorities and changes in policies and/or market conditions.

In addition to being approved by the Bank's shareholders by way of a special resolution at the AGM, the issuance of the Financial Bonds also requires approvals from the CBRC and other relevant regulatory authorities.

The above resolution is proposed for your consideration and approval.

In order to keep the capital adequacy ratio constantly remaining at the required level, meet the capital requirement of the Bank for its continuous business development, utilize financing platforms flexibly and effectively and take advantage of opportunities in the capital market in a timely manner, the proposal of granting the Board a general mandate to issue shares and matters including authority delegation by the Board will be submitted to a general meeting of the Bank for approval according to the requirements of applicable laws and regulations of the PRC, the Hong Kong Listing Rules and the Articles of Association.

Particulars of the general mandate are as follows:

### **I. Particulars of the General Mandate to Issue Shares**

- (1) Subject to the conditions set out in (2) below, the Board shall be authorized to separately or concurrently ratify, allot, issue, grant and/or otherwise deal with Shares (Overseas Listed Foreign Shares and/or Domestic Shares), securities convertible into Shares, share options and warrants of securities that are entitled to subscribe for any Shares or are convertible into Shares, or other securities that carry rights to subscribe for or are convertible into Shares during the Relevant Period (as defined below).

Notwithstanding the fulfillment of the conditions set out in (2) below, the Board of the Bank shall obtain a separate mandate by way of a special resolution prior to making the allotment of Shares with voting rights if such allotment will result in an actual change of the control rights of the Bank.

- (2) The number of Shares (Overseas Listed Foreign Shares and/or Domestic Shares), securities convertible into Shares, share options and warrants of securities that are entitled to subscribe for any Shares or are convertible into Shares, or other securities that carry rights to subscribe for or are convertible into Shares (among which, the above securities shall be calculated on the basis of the number of Overseas Listed Foreign Shares/Domestic Shares which such securities can be converted into/be allotted) proposed to be ratified, allotted, issued, granted and/or otherwise dealt with by the Board shall not respectively exceed 20% of the total number of each category of the Overseas Listed Foreign Shares and Domestic Shares of the Bank in issue as at the date on which this resolution is passed at the annual general meeting.
- (3) For the purposes of this resolution:

“Relevant Period” means the period from the date on which this special resolution is passed at the general meeting until the earliest of:

1. the conclusion of the next annual general meeting of the Bank following the date on which this resolution is passed;
2. the expiration of twelve months following the date on which this resolution is passed at the general meeting; and
3. the date on which the authority granted to the Board under this resolution is revoked or varied by a special resolution at a general meeting.

- (4) The Board shall be authorized to determine the details of the issuance plan, including but not limited to:
1. the class and number of Shares proposed to be issued;
  2. the pricing methods and/or the issue price (including the price range);
  3. allottees;
  4. the commencement and closing dates of the issuance;
  5. the specific use of proceeds;
  6. the making or granting of recommendations, agreements and options which might require the exercise of such powers; and
  7. other contents that should be included in the detailed issuance plan as required under relevant laws and regulations and other normative documents, and as requested by relevant regulatory authorities and the stock exchange of the listing place.
- (5) The Board shall be authorized to implement the issuance plan and deal with the matters related to an increase in the registered capital of the Bank, so as to reflect the Shares authorized to be issued by the Bank under this resolution, and to make such amendments as it deems appropriate and necessary to the clauses related to the issuance of Shares and registered capital in the Articles of Association, and to adopt and complete any other actions and procedures which are necessary for the implementation of the issuance plan and the completion of the increase in the registered capital of the Bank.

## **II. Relevant Authorization**

In order to improve the efficiency of decision-making, reduce internal approval procedures and grasp market opportunities, it is proposed to the general meeting on agreeing to authorize the Board and the persons authorized by the Board to deal with the matters in connection with the issuance of Shares according to the general mandate. The above specific details of the authorization given to the authorized persons will be separately determined upon the exercise of the general mandate by the Board under this resolution.

The above resolution is proposed for your consideration and approval.