

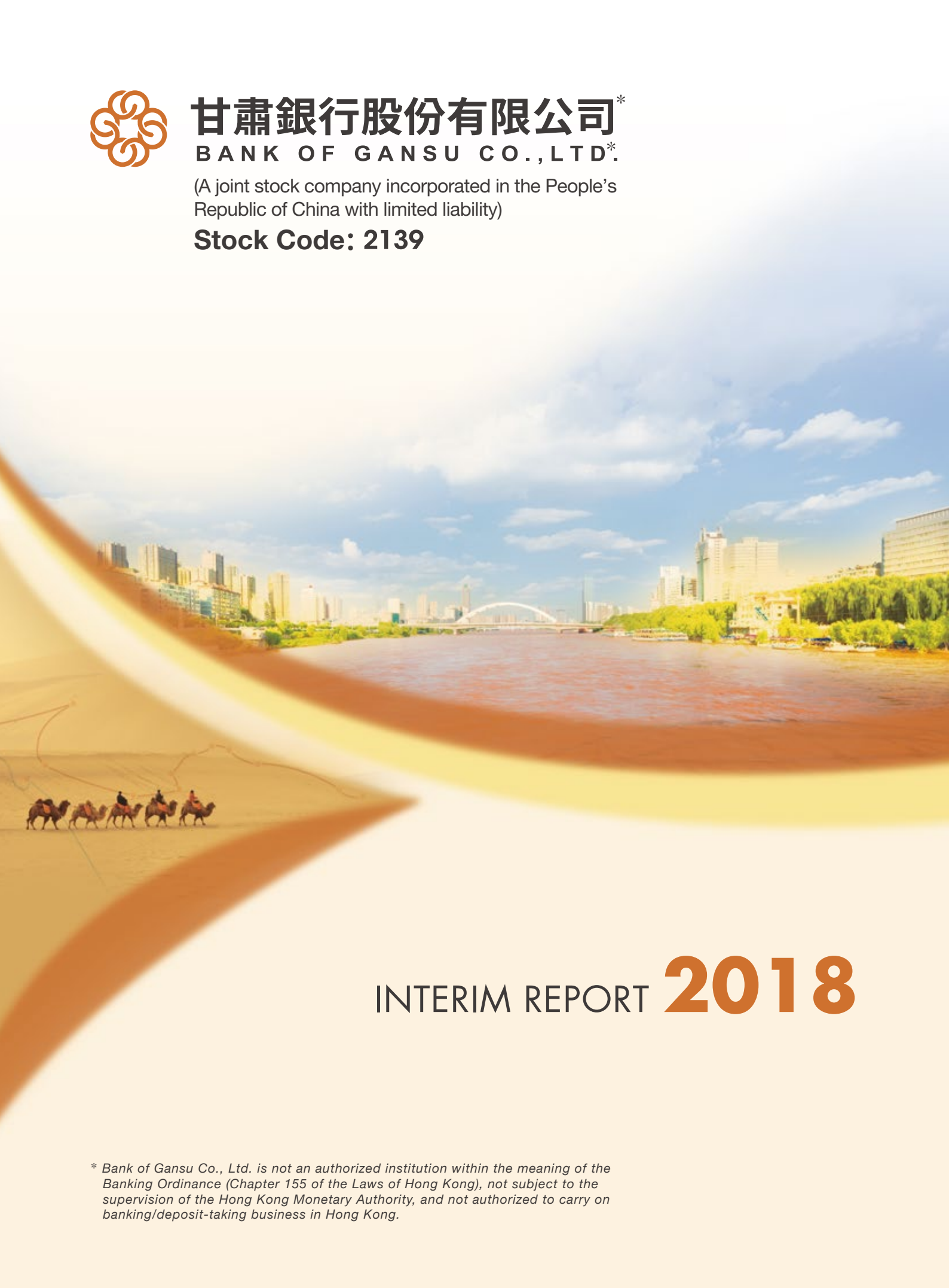


甘肅銀行股份有限公司*

BANK OF GANSU CO., LTD.*

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

Stock Code: 2139



INTERIM REPORT **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.*

Contents

Chapter 1	Definitions	2
Chapter 2	Company Profile	9
Chapter 3	Financial Highlights	13
Chapter 4	Management Discussion and Analysis	16
Chapter 5	Changes in Share Capital and Particulars of Shareholders	76
Chapter 6	Directors, Supervisors, Senior Management, Employees and Organizations	85
Chapter 7	Important Events	101
Chapter 8	Report on Review of Condensed Consolidated Financial Statements	109
Chapter 9	Notes to the Condensed Consolidated Financial Statements	119
Chapter 10	Unaudited Supplementary Financial Information	197

Chapter 1

Definitions

In this interim report, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Articles of Association” or “Articles”	the articles of association of the Bank
“Baiyin City Commercial Bank”	the former Baiyin City Commercial Bank Co., Ltd. (白銀市商業銀行股份有限公司). In May 2011, 25 legal entities, all the shareholders of Baiyin City Commercial Bank and all the shareholders of Pingliang City Commercial Bank jointly promoted and incorporated the Bank
“Bank”, “our Bank”	Bank of Gansu Co., Ltd. (甘肅銀行股份有限公司), a joint stock company incorporated in Gansu province, the PRC on November 18, 2011 with limited liability in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Baoshang Bank”	Baoshang Bank Co., Ltd. (包商銀行股份有限公司), a city commercial bank incorporated in the PRC on December 16, 1998, of which Baotou Taiping Business Group Co., Ltd. (包頭市太平商貿集團有限公司) is its largest shareholder, holding 9.07% of its equity interests. As of the Latest Practicable Date, Baoshang Bank held approximately 8.39% of our Shares
“Board of Directors”, “Board”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public
“CAGR”	compound annual growth rate
“Capital Adequacy Ratio Measures”	the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks (《商業銀行資本充足率管理辦法》) promulgated by the CBIRC on February 23, 2004 and effective on March 1, 2004 and amended on July 3, 2007, which were later abolished by the Capital Administrative Measures on January 1, 2013
“Capital Administrative Measures”	the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) promulgated by the CBIRC on June 7, 2012 and effective on January 1, 2013

“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), a regulatory authority formed via the merger of the China Banking Regulatory Commission and China Insurance Regulatory Commission according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No.6) issued by the State Council on March 24, 2018, and, if the context requires, includes its predecessors, namely the China Banking Regulatory Commission and China Insurance Regulatory Commission
“CBRC Gansu Office”	the China Banking Regulatory Commission Gansu Office (中國銀行業監督管理委員會甘肅監管局)
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the same meaning ascribed to it under Chapter 14A of the Hong Kong Listing Rules
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules
“Core Indicators (Provisional)”	the Core Indicators for Risk Supervision of Commercial Banks (Provisional) (《商業銀行風險監管核心指標(試行)》) promulgated by the CBIRC on December 31, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
“Corporate Governance Guidelines”	the Guidelines on Corporate Governance of Commercial Banks (《商業銀行公司治理指引》) promulgated by the CBIRC on July 19, 2013 and effective on the same date, as amended, supplemented or otherwise modified from time to time
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
“Gansu Electric Power Investment”	Gansu Province Electric Power Investment Group Co., Ltd. (甘肅省電力投資集團有限公司), a company incorporated in the PRC on July 15, 1990, and a wholly-owned subsidiary of Gansu State-owned Assets Investment. As of the Latest Practicable Date, Gansu Electric Power Investment held approximately 6.30% of our Shares

Chapter 1

Definitions

“Gansu Highway Aviation Tourism”	Gansu Province Highway Aviation Tourism Investment Group Co., Ltd (甘肅省公路航空旅遊投資集團有限公司), a company incorporated in the PRC on December 24, 1999 and a wholly-owned subsidiary of the Department of Transportation of Gansu Province (甘肅省交通運輸廳). As of the Latest Practicable Date, Gansu Highway Aviation Tourism held approximately 11.49% of our Shares. It is a substantial Shareholder and connected person of the Bank
“GDP”	gross domestic product
“GRC system”	Governance, Risk and Compliance Management system
“green finance”	economic activities supporting environmental improvements, climate change, conservation and high efficiency utilization of resources, including financial services for project investment, financing, operation and risk management in environmental protection, energy conservation, clean energy, green transportation and green architecture
“H Share(s)”	ordinary shares to be issued by the Bank in Hong Kong pursuant to the Global Offering, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed and traded on the Hong Kong Stock Exchange
“HK\$, “HKD” or “HK dollars”	Hong Kong Dollars, the lawful currency of Hong Kong
“HKMA”	the Hong Kong Monetary Authority
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards, International Accounting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“independent third party”	a person or entity not considered a connected person or associate of a connected person of the Bank under the Hong Kong Listing Rules
“Gansu SASAC”	the State-owned Assets Supervision and Administration Commission of the Gansu Provincial Government (甘肅省人民政府國有資產監督管理委員會)

“Gansu State-owned Assets Investment”	Gansu Province State-owned Assets Investment Group Co., Ltd. (甘肅省國有資產投資集團有限公司), a company incorporated in the PRC on November 23, 2007, and 83.54% owned by Gansu SASAC and 16.46% by Jiuquan Iron & Steel. As of the Latest Practicable Date, it directly held approximately 3.57% of our Shares, and indirectly held approximately 12.59% of our Shares through its subsidiaries, including Gansu Electric Power Investment and Jinchuan Group. It is a substantial Shareholder and connected person of the Bank
“Jinchuan Group”	Jinchuan Group Co., Ltd. (金川集團股份有限公司), a company incorporated in the PRC on September 28, 2001, of which Gansu State-owned Assets Investments is its largest shareholder, holding 48.67% of its equity interests. As of the Latest Practicable Date, Jinchuan Group held approximately 6.30% of our Shares
“Jingning Chengji Rural Bank”	Pingliang Jingning Chengji Rural Bank Co., Ltd., a joint stock company with limited liability incorporated in the PRC on September 18, 2008 and a subsidiary of the Bank
“Jiuquan Iron & Steel”	Jiuquan Iron & Steel (Group) Co., Ltd. (酒泉鋼鐵(集團)有限責任公司), a company incorporated in the PRC on May 26, 1998, and 68.09% owned by Gansu SASAC and 31.91% by Gansu State-owned Assets Investment. As of the Latest Practicable Date, Jiuquan Iron & Steel held approximately 6.30% of our Shares
“Latest Practicable Date”	September 16, 2018, the latest practicable date for ascertaining certain information in this interim report before its publication
“Listing”	the listing of our H Shares on the Hong Kong Stock Exchange
“Listing Date”	January 18, 2018, being the date on which dealing in the H Shares of the Bank first commences on the Hong Kong Stock Exchange
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (香港聯合交易所有限公司證券上市規則), as amended, supplemented or otherwise modified from time to time
“NAFMII”	the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會)
“non-standard credit assets”	credit assets that are not traded on the interbank markets or stock exchanges, which for the purpose of this interim report represents our investments in trust plans, asset management plans and wealth management products issued by other financial institutions

Chapter 1

Definitions

“NPL ratio” or “non-performing loan ratio”	the percentage ratio calculated by dividing non-performing loans by total loans
“NPLs” or “non-performing loans”	loans classified as substandard, doubtful and loss according to the five-category loan classification system of the Bank
“PBoC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Pingliang City Commercial Bank”	the former Pingliang City Commercial Bank Co., Ltd. (平涼市商業銀行股份有限公司). In May 2011, 25 legal entities, all the shareholders of Baiyin City Commercial Bank and all the shareholders of Pingliang City Commercial Bank jointly promoted and incorporated the Bank
“PRC” or “China”	the People’s Republic of China, but for the purpose of this interim report only, excluding Hong Kong, Macau and Taiwan, unless otherwise specified in the context
“PRC Banking Supervision and Regulatory Law”	the Banking Supervision and Regulatory Law of the PRC (《中華人民共和國銀行業監督管理法》), which was promulgated by the 6th meeting of the Standing Committee of the 10th National People’s Congress on December 27, 2003 and became effective on February 1, 2004, as amended, supplemented or otherwise modified from time to time
“PRC Commercial Banking Law”	the Commercial Banking Law of the PRC (《中華人民共和國商業銀行法》), which was promulgated by the 13th meeting of the Standing Committee of the 8th National People’s Congress on May 10, 1995 and became effective on July 1, 1995, as amended, supplemented or otherwise modified from time to time
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended and adopted by the Standing Committee of the 10th National People’s Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
“PRC GAAP”	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“PRC PBoC Law”	the Law of the People’s Bank of China of the PRC (《中華人民共和國中國人民銀行法》), as enacted by the 3rd meeting of the Standing Committee of the 8th National People’s Congress on March 18, 1995, became effective on the same date, as amended, supplemented or otherwise modified from time to time

“provincial city commercial bank(s)”	local city commercial bank(s), whose establishment was promoted by the provincial government
“related party” or “related parties”	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders (《商業銀行與內部人和股東關聯交易管理辦法》) promulgated by the CBIRC, the PRC GAAP and/or IFRS
“related party transaction(s)”	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders promulgated by the CBIRC, the PRC GAAP and/or IFRS
“Reporting Period”	the six months ended June 30, 2018 (from January 1, 2018 to June 30, 2018)
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each
“SOE(s)”	state-owned enterprise(s)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Supervisor(s)”	the supervisor(s) of the Bank
“three rurals”	rural areas, agriculture and farmers
“U.N.”	United Nations
“United States” or “U.S.”	the United States of America
“US\$”, “USD” or “U.S. dollar(s)”	U.S. dollars, the lawful currency of the United States of America
“we”, “us”, “our”, “Group” or “our Group”	the Bank and its subsidiary on a consolidated basis



Chapter 1 Definitions

In this interim report:

- *certain amounts and percentage figures included in this interim report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*
- *unless the context otherwise requires, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “core connected person(s)” and “substantial shareholder(s)” have the meanings given to such terms in the Hong Kong Listing Rules.*
- *for the ease of reference, in this interim report, unless otherwise indicated, the terms “gross loans and advances to customers”, “loans” and “grant of loans” are used synonymously.*
- *if there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*

I. BASIC INFORMATION OF THE COMPANY

Legal Name of the Company in Chinese	:	甘肅銀行股份有限公司
Legal Name of the Company in English	:	Bank of Gansu Co., Ltd.
Legal Representative	:	Li Xin
Authorized Representatives	:	Li Xin, Ng Wing Yan
Secretary to the Board of Directors	:	Xu Jianping
Joint Company Secretaries	:	Xu Jianping, Ng Wing Yan
Registered Address	:	No. 122, Gannan Road, Chengguan District, Lanzhou, Gansu Province, the PRC
Principal Office Address	:	Gansu Bank Building, 525 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC
Customer Service Hotline	:	+86 400-86 96666
Telephone	:	+86 931 877 0491
Facsimile	:	+86 931 877 1877
Company Website	:	www.gsbankchina.com
Principal Place of Business in Hong Kong	:	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
H Share Information Disclosure Website	:	www.hkexnews.hk
Stock Listing Place, Stock Short Name and Stock Code	:	The Stock Exchange of Hong Kong Limited, BANK OF GANSU, 2139
H Share Registrar	:	Computershare Hong Kong Investor Services Limited



Chapter 2 Company Profile

PRC Legal Adviser	:	Grandall Law Firm (Shanghai)
Hong Kong Legal Adviser	:	Latham & Watkins
Domestic Auditor	:	Shinewing Certified Public Accountants LLP
International Auditor	:	SHINEWING (HK) CPA Limited
Compliance Advisor	:	Guotai Junan Capital Limited
Place of Inspection of the Interim Report	:	Office of the Board of the Bank

II. HISTORY OF THE BANK

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

The registered address of the Bank is No. 122, Gannan Road, Chengguan District, Lanzhou, Gansu province, the PRC. The Bank has established a principal place of business in Hong Kong at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong and was registered as a non-Hong Kong company on June 28, 2017 under Part XVI of the Companies Ordinance. The Bank appointed Ms. Ng Wing Yan as the Bank's authorized representative for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Bank in Hong Kong is the same as the Bank's principal place of business in Hong Kong.

As the Bank was established in the PRC, the Bank's corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. The Bank carries on banking business in the PRC under the supervision and regulation of the CBIRC and the PBoC. The Bank is not an authorized institution within the meaning of the Banking Ordinance, and is not subject to the supervision of the HKMA, nor authorized to carry on banking and/or deposit-taking business in Hong Kong.

The Bank's H Shares were listed on the Main Board of the Hong Kong Stock Exchange on January 18, 2018.

III. AWARDS OF THE BANK IN THE FIRST HALF OF 2018

Awards and Honors	Awarding Party/Media
2017 Provincial Governor Financial Award (2017年度省長金融獎)	The People's Government of Gansu Province
Grade A Bank in Anti-Money Laundering Assessment (全省反洗錢考核A類行)	Lanzhou Central Sub-branch of the PBoC
Best Progress Award by National Interbank Funding Center (全國銀行間同業拆借中心最佳進步獎)	National Interbank Funding Center
The new generation Active-Active cloud data center won "Top Ten FinTech Product Innovation Award" (新一代雙活雲數據中心榮獲「十佳金融科技產品創新獎」)	The Chinese Bankers magazine; Wealth Management Research Center of Financial Institute at Chinese Academy of Social Sciences; Internet Economy Research Institute at Central University of Finance and Economics
Excellent Women Award in Gansu Province (甘肅省五一巾幗獎)	Department of Human Resources and Social Security of Gansu Province and Gansu Federation of Trade Unions
2017 Excellent Data Center Award in China (2017年度中國優秀數據中心獎)	Data Center of China Computer Users Association
2017 Excellent Project Management Team Award by China Data Center (2017年度中國數據中心優秀項目管理團隊獎)	Data Center of China Computer Users Association
2017 "Excellent Communications and Liaison Unit" (2017年度「通聯工作先進單位」)	Gansu Finance Society
Award of Excellence for "2018 Gansu forex market self-regulatory institution knowledge contest" (「2018年甘肅省外匯市場自律機制知識競賽」優秀獎)	Gansu Forex Market Self-regulatory Institution
2017 Provincial Excellent Team Award in Primary Level Theory Explanation (2017年度全省基層理論宣講工作先進集體獎)	Gansu Provincial Party Committee Propaganda Department and Lecturer Corps of Gansu Provincial Party Committee (甘肅省委講師團)
2018 Top 10 Targeted Poverty Alleviation Innovation Demonstration Banks (2018十佳精準扶貧創新示範銀行)	Xinhua News Agency China Comment

Chapter 3

Financial Highlights

(Expressed in millions of RMB, unless otherwise stated)	Six months ended		Percentage change (%)	Year ended December 31, 2017
	June 30, 2018	2017		
Results of operations				
Interest income	7,546.8	6,871.4	9.8	14,045.8
Interest expense	(3,889.2)	(3,120.8)	24.6	(6,560.8)
Net interest income	3,657.6	3,750.6	(2.5)	7,485.0
Fee and commission income	193.2	259.7	(25.6)	462.8
Fee and commission expenses	(65.4)	(35.2)	85.8	(86.1)
Net fee and commission income	127.8	224.5	(43.1)	376.7
Net trading gains/(losses)	434.7	(3.9)	—	(21.9)
Net gains arising from investment securities	2.5	—	—	116.9
Net exchange gains/(losses)	168.9	(4.7)	—	(13.2)
Other operating income	11.5	84.0	(86.3)	109.0
Operating income	4,403.0	4,050.5	8.7	8,052.5
Operating expenses	(987.3)	(842.2)	17.2	(2,052.2)
Impairment losses on assets	(472.6)	(497.1)	(4.9)	(1,523.0)
Operating profit	2,943.1	2,711.2	8.6	4,477.3
Share of profits of associates	0.8	0.9	(11.1)	1.8
Profit before tax	2,943.9	2,712.1	8.5	4,479.1
Income tax expense	(733.5)	(666.3)	10.1	(1,115.4)
Profit for the period/year	2,210.4	2,045.8	8.0	3,363.7
Profit for the period/year attributable to:				
— Owners of the Bank	2,211.4	2,042.0	8.3	3,358.5
— Non-controlling interests	(1.0)	3.8	(126.3)	5.2
Profit for the period/year	2,210.4	2,045.8	8.0	3,363.7
Basic earnings per share (RMB)	0.22	0.27	(18.5)	0.45
Diluted earnings per share (RMB)	0.22	0.27	(18.5)	0.45

Chapter 3

Financial Highlights

(Expressed in millions of RMB, unless otherwise stated)	As at June 30, 2018	As at December 31, 2017	Percentage change (%)
Major indicators of assets/liabilities			
Total assets	313,173.1	271,147.6	15.5
Of which: total loans and advances to customers	150,133.0	130,283.6	15.2
Total liabilities	289,356.3	254,534.6	13.7
Of which: deposits from customers	198,248.7	192,230.6	3.1
Total equity	23,816.8	16,613.0	43.4
	Six months ended June 30, 2018	2017	Percentage change (%)
Profitability indicators			
Return on assets ⁽¹⁾	1.51%	1.59%	(5.0)
Return on equity ⁽²⁾	21.87%	28.50%	(23.3)
Net interest spread ⁽³⁾	2.27%	2.81%	(19.2)
Net interest margin ⁽⁴⁾	2.50%	2.96%	(15.5)
Net fee and commission income to operating income ratio ⁽⁵⁾	2.90%	5.54%	(47.7)
Cost-to-income ratio ⁽⁶⁾	21.61%	20.29%	6.5

	As at June 30, 2018	As at December 31, 2017	Percentage Change (%)	As at June 30, 2017
Capital adequacy indicators				
Core tier-one capital adequacy ratio ⁽⁷⁾	10.93%	8.71%	25.5	8.55%
Tier-one capital adequacy ratio ⁽⁸⁾	10.93%	8.71%	25.5	8.55%
Capital adequacy ratio ⁽⁹⁾	13.55%	11.54%	17.4	11.49%
Shareholders' equity to total assets ratio	7.60%	6.13%	24.0	5.71%
Assets quality indicators				
Non-performing loan ratio	1.74%	1.74%	0.0	0.0%
Provision coverage ratio ⁽¹⁰⁾	194.13%	222.00%	(12.6)	220.29%
Provision to total loan ratio ⁽¹¹⁾⁽¹²⁾	3.38%	3.86%	(12.4)	3.59%
Other indicators				
Loan to deposit ratio ⁽¹³⁾	75.73%	67.77%	11.7	63.22%

Notes:

- (1) Calculated by dividing the net profit for a period by the average balance of total assets at the beginning and the end of that period.
- (2) Calculated by dividing the net profit for a period by the average balance of total equity at the beginning and the end of that period.
- (3) Represents the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of business tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets.
- (10) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances.
- (11) Provision to total loan ratio = provision for impairment losses on loans/total loans and advances to customers.
- (12) In accordance with the relevant regulatory requirements, as a non-systematically important bank in China, the Bank is required to maintain a minimum provision to total loan ratio of 2.5% by December 31, 2017.
- (13) Calculated by dividing total loans and advances to customers by total customer deposits. The loan to deposit ratio is no longer a regulatory ratio for PRC commercial banks under the amended PRC Commercial Banking Law, which became effective on October 1, 2015.
- (14) The ratio for the six months ended June 30, 2017 and 2018 is calculated on an annual basis.

Chapter 4

Management Discussion and Analysis

1. ENVIRONMENT AND PROSPECT

In the first half of 2018, the overall national economy maintained stable with positive trend. The main indicators for macroeconomic control laid in a reasonable range with continuous promotion in economic structure. In the first half of the year, the GDP was RMB41,896.1 billion, a year-on-year increase of 6.8%, and remained in the range of 6.7% to 6.9% for 12 consecutive quarters. In terms of actual situation of Gansu Province, its overall economic operation in the first half of the year was generally stable, with promotion in quality and efficiency, as well as economic vitality. Its GDP reached RMB349.76 billion, a year-on-year increase of 5.0%.

During the Reporting Period, the national macro economy encountered certain new problems and challenges. Externally, economic globalization suffered setbacks with frictions in economy and trade between China and the United States which posed certain uncertainties to the national economic development. Domestically, deepening stage of the existing supply-side structural reform was still in progress, under which the “three major battles” in preventing and resolving material risks had to be carried out unswervingly, and the structuring of economic growth momentum had not yet been completed. To effectively cope with internal and external uncertainties, China will adhere to proactive fiscal policies and prudent monetary policies to achieve “steady development” in macro economy through “consolidating employment”, “consolidating finance”, “consolidating foreign trade”, “consolidating foreign investment”, “consolidating investment” and “consolidating expectation”.

In the second half of 2018, the Bank will take the opportunity in H share listing to make full use of overseas capital market and the international platform of Hong Kong. In light of the internal and external economic situation and regulatory requirements of the province, the Bank will take practical measures to plan and promote the growth of business scale and profitability, asset risk prevention, business transformation and integrated operation advancement, capital management improvement, liquidity management, market risk management, application of financial technology, and improvement of basic management level, so as to effectively serve the development of real economy.

2. DEVELOPMENT STRATEGY

The strategic goal of the Bank is to become a first-class integrated financial group in the West China with business in modern urban commercial banks, consumer finance companies and financial leasing. To achieve such goal, the Bank plans to: (1) implement integrated operations and continuously improve capabilities in financial services; (2) promote unique development and enhance competitiveness in “three rurals” and small and micro businesses; (3) focus on frontier financial technology and continuously enhance capabilities in financial technology; (4) strengthen refined management with continuous improvement in compliance management capabilities; and (5) adhere to talent cultivation with continuous promotion in team cohesion.

3. OVERALL BUSINESS REVIEW

The Bank recorded a total operating income of RMB4,403.0 million for the six months ended June 30, 2018, representing an increase of 8.7% as compared to RMB4,050.5 million for the six months ended June 30, 2017. The Bank’s net profit increased by 8.0% from RMB2,045.8 million for the six months ended June 30, 2017 to RMB2,210.4 million for the six months ended June 30, 2018. The Bank’s performance not only delivered sound returns to the Shareholders and investors, but also laid a solid foundation for its sustainable development.

As at June 30, 2018, the Bank’s total assets amounted to RMB313,173.1 million, representing a year-on-year increase of 15.5%; total loans and advances to customers amounted to RMB150,133.0 million, representing a year-on-year increase of 15.2%; the non-performing loan ratio remained at a reasonable level of 1.74%; total deposits from customers amounted to RMB198,248.7 million, representing a year-on-year increase of 3.1%.

Chapter 4

Management Discussion and Analysis

(a) Analysis of the Consolidated Statements of Profit or Loss

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Percentage change (%)
	2018	2017	Increase or decrease	
Interest income	7,546.8	6,871.4	675.4	9.8%
Interest expense	(3,889.2)	(3,120.8)	(768.4)	24.6%
Net interest income	3,657.6	3,750.6	(93.0)	(2.5)%
Fee and commission income	193.2	259.7	(66.5)	(25.6)%
Fee and commission expenses	(65.4)	(35.2)	(30.2)	85.8%
Net fee and commission income	127.8	224.5	(96.7)	(43.1)%
Net trading gains/(losses)	434.7	(3.9)	438.6	—
Net gains arising from investment securities	2.5	—	2.5	—
Net exchange gains/(losses)	168.9	(4.7)	173.6	—
Other operating income	11.5	84.0	(72.5)	(86.3)%
Operating income	4,403.0	4,050.5	352.5	8.7%
Operating expenses	(987.3)	(842.2)	(145.1)	17.2%
Impairment losses on assets	(472.6)	(497.1)	24.5	(4.9)%
Operating profit	2,943.1	2,711.2	231.9	8.6%
Share of profits of associates	0.8	0.9	(0.1)	(11.1)%
Profit before tax	2,943.9	2,712.1	231.8	8.5%
Income tax expense	(733.5)	(666.3)	(67.2)	10.1%
Profit for the period	2,210.4	2,045.8	164.6	8.0%
Profit for the period attributable to:				
— Owners of the Bank	2,211.4	2,042.0	169.4	8.3%
— Non-controlling interests	(1.0)	3.8	(4.8)	(126.3)%
Profit for the period	2,210.4	2,045.8	164.6	8.0%

For the first six months of 2018, the Bank's profit before tax was RMB2,943.9 million, representing a year-on-year increase of 8.5%; profit for the period was RMB2,210.4 million, representing a year-on-year increase of 8.0%, mainly attributable to the stable growth of total interest-earning assets and increase in net trading gains and net exchange gains.

(i) **Net interest income**

The net interest income was the largest component of the Bank's operating revenue, accounting for 93.0% and 83.0% of the operating income for the six months ended June 30, 2017 and 2018 respectively. The table below sets forth the Bank's interest income, interest expenses and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Percentage change (%)
	2018	2017	Increase or decrease	
Interest income	7,546.8	6,871.4	675.4	9.8%
Interest expense	(3,889.2)	(3,120.8)	(768.4)	24.6%
Net interest income	3,657.6	3,750.6	(93.0)	(2.5)%

The table below sets forth the average balances of interest-earning assets and interest-bearing liabilities, the related interest income or expenses and the average yield of related assets or average cost of related liabilities of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2018			Six months ended June 30, 2017		
	Average balance ⁽¹⁾	Interest income	Average yield ⁽²⁾ (%)	Average balance ⁽¹⁾	Interest income	Average yield ⁽²⁾ (%)
Interest-earning assets						
Loans and advances to customers	137,175.1	4,698.9	6.85%	115,025.2	3,708.4	6.45%
Investment securities and other financial assets ⁽³⁾	84,955.4	1,892.5	4.46%	89,907.0	2,584.2	5.75%
Deposits with banks	30,270.8	534.2	3.53%	22,014.5	355.1	3.23%
Financial assets held under resale agreements and placements with banks and other financial institutions	11,515.9	206.3	3.58%	2,165.5	37.3	3.44%
Deposits with the central bank ⁽⁴⁾	28,276.9	214.9	1.52%	24,392.7	186.4	1.53%
Total interest-earning assets	292,194.1	7,546.8	5.17%	253,504.9	6,871.4	5.42%

Chapter 4

Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2018			Six months ended June 30, 2017		
	Average balance ⁽¹⁾	Interest expense	Average cost ⁽²⁾ (%)	Average balance ⁽¹⁾	Interest expense	Average cost ⁽²⁾ (%)
Interest-bearing liabilities						
Deposits from customers	187,177.4	1,978.9	2.11%	171,842.9	1,724.4	2.01%
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	11,492.1	230.1	4.00%	9,583.9	137.5	2.87%
Debt securities issued ⁽⁵⁾	30,301.7	754.6	4.98%	18,802.8	417.6	4.44%
Deposits from banks and other financial institutions	32,273.1	804.7	4.99%	33,557.6	765.3	4.56%
Borrowings from the central bank	6,643.4	120.9	3.64%	4,939.5	76.0	3.08%
Total interest-bearing liabilities	267,887.7	3,889.2	2.90%	238,726.7	3,120.8	2.61%
Net interest income		3,657.6			3,750.6	
Net interest spread⁽⁶⁾			2.27%			2.81%
Net interest margin⁽⁷⁾			2.50%			2.96%

Notes:

- (1) The average balances of interest-earning assets and interest-bearing liabilities are derived from our unaudited management accounts.
- (2) Calculated by dividing interest income/expense by average balance.
- (3) Primarily includes financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.
- (4) Primarily includes statutory deposit reserves, surplus deposit reserves and fiscal deposits reserves.
- (5) Primarily includes interbank certificates and tier-two capital bonds.
- (6) Represents the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.
- (7) Calculated by dividing net interest income by the average balance of interest-earning assets.

The table below sets forth the changes in interest income and interest expense attributable to changes in amount and interest rate for the periods indicated. Changes in amount are measured by changes in average balances, and changes in rate are measured by changes in average interest rates. Changes caused by both amount and interest rate have been allocated to changes in amount.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2018 vs 2017		
	Increase/(decrease) due to		Net increase/ (decrease) ⁽³⁾
	Amount ⁽¹⁾	Rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	758.7	231.8	990.5
Investment securities and other financial assets	(110.3)	(581.4)	(691.7)
Deposits with banks	145.7	33.4	179.1
Financial assets held under resale agreements and placements with banks and other financial institutions	167.5	1.5	169.0
Deposits with the central bank	29.5	(1.0)	28.5
Change in interest income	991.1	(315.7)	675.4
Interest-bearing liabilities			
Deposits from customers	162.1	92.4	254.5
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	38.2	54.4	92.6
Debt securities issued	286.3	50.7	337.0
Deposits from banks and other financial institutions	(32.0)	71.4	39.4
Borrowings from the central bank	31.0	13.9	44.9
Change in interest expense	485.6	282.8	768.4
Change in net interest income	505.5	(598.5)	(93.0)

Notes:

- (1) Represents the average balance for the period minus the average balance for the previous period, multiplied by the average yield/cost for the period.
- (2) Represents the average yield/cost for the period minus the average yield/cost for the previous period, multiplied by the average balance for the previous period.
- (3) Represents interest income/expense for the period minus interest income/expense for the previous period.

Chapter 4

Management Discussion and Analysis

(ii) Interest income

The table below sets forth the principal components of interest income of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2018		2017	
	Amount	% of total	Amount	% of total
Loans and advances to customers	4,698.9	62.3%	3,708.4	54.0%
Investment securities and other financial assets	1,892.5	25.1%	2,584.2	37.6%
Deposits with banks	534.2	7.1%	355.1	5.2%
Financial assets held under resale agreements and placements with banks and other financial institutions	206.3	2.7%	37.3	0.5%
Deposits with the central bank	214.9	2.8%	186.4	2.7%
Total	7,546.8	100.0%	6,871.4	100.0%

Interest income increased by 9.8% from RMB6,871.4 million for the six months ended June 30, 2017 to RMB7,546.8 million for the six months ended June 30, 2018, primarily due to a 15.3% increase in the average balance of interest-earning assets, from RMB253,504.9 million for the six months ended June 30, 2017 to RMB292,194.1 million for the six months ended June 30, 2018, partially offset by a decrease in the average yield of interest-earning assets from 5.42% for the six months ended June 30, 2017 to 5.17% for the six months ended June 30, 2018. The increase in the average balance of interest-earning assets was in line with the growth of our business. The decrease in the average yield of interest-earning assets was primarily due to a decrease in the average yield of investment securities and other financial assets, primarily due to lower returns on our investments in non- standard credit assets, as well as our increased investments in debt securities with high liquidity and lower yields.

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 54.0% and 62.3% of total interest income for the six months ended June 30, 2017 and 2018, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers of the Bank by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,					
	2018			2017		
	Average balance ⁽¹⁾	Interest income	Average yield (%)	Average balance ⁽¹⁾	Interest income	Average yield (%)
Corporate loans	100,181.0	3,417.4	6.82%	87,023.4	2,999.1	6.89%
Retail loans	19,073.0	743.3	7.79%	8,702.6	292.2	6.72%
Discounted bills	17,921.1	538.2	6.01%	19,299.2	417.1	4.32%
Total loans and advances to customers	137,175.1	4,698.9	6.85%	115,025.2	3,708.4	6.45%

Note:

(1) Represents the average of daily balances based on our unaudited management accounts.

(B) Interest income from investment securities and other financial assets

Interest income from investment securities and other financial assets decreased by 26.8% from RMB2,584.2 million for the six months ended June 30, 2017 to RMB1,892.5 million for the six months ended June 30, 2018, primarily due to a 5.5% decrease in the average balance of investment securities and other financial assets, from RMB89,907.0 million for the six months ended June 30, 2017 to RMB84,955.4 million for the six months ended June 30, 2018, as well as a decrease in the average yield of investment securities and other financial assets, from 5.75% for the six months ended June 30, 2017 to 4.46% for the six months ended June 30, 2018. The decrease in average balance was primarily due to our decreased investments in financial assets. The decrease in average yield was primarily due to (i) lower returns on our investments in non-standard credit assets, and (ii) our increased investments in debt securities with high liquidity and lower yields.

(C) Interest income from deposits with banks

Interest income from deposits with banks increased by 50.4% from RMB355.1 million for the six months ended June 30, 2017 to RMB534.2 million for the six months ended June 30, 2018, primarily due to a 37.5% increase in the average balance of deposits with banks, from RMB22,014.5 million for the six months ended June 30, 2017 to RMB30,270.8 million for the six months ended June 30, 2018, and an increase in the average yield of deposits with banks, from 3.23% for the six months ended June 30, 2017 to 3.53% for the six months ended June 30, 2018. The increase in average balance was due to the Bank's increased investments in deposits with banks based on changes in interbank money market interest rates to manage our liquidity. The increase in average yield was primarily due to higher market interest rates reflecting tightened market liquidity, which in turn resulted in an increase in returns from deposits with other banks.

Chapter 4

Management Discussion and Analysis

(D) Interest income from financial assets held under resale agreements and placements with Banks and other financial institutions

Interest income from financial assets held under resale agreements and placements with banks and other financial institutions increased by 453.1% from RMB37.3 million for the six months ended June 30, 2017 to RMB206.3 million for the six months ended June 30, 2018, primarily due to a 431.8% increase in the average balance of financial assets held under resale agreements and placements with banks and other financial institutions, from RMB2,165.5 million for the six months ended June 30, 2017 to RMB11,515.9 million for the six months ended June 30, 2018, and an increase in the average yield of financial assets held under resale agreements and placements with banks and other financial institutions, from 3.44% for the six months ended June 30, 2017 to 3.58% for the six months ended June 30, 2018. The increase in average balance was primarily because the Bank entered into more reverse repurchase transactions to manage liquidity and earn returns. The increase in average yield was primarily due to higher market interest rates reflecting tightened market liquidity, which in turn resulted in an increase in returns from reverse repurchase transactions.

(E) Interest income from deposits with the central bank

Interest income from deposits with the central bank increased by 15.3% from RMB186.4 million for the six months ended June 30, 2017 to RMB214.9 million for the six months ended June 30, 2018, primarily due to a 15.9% increase in the average balance of deposits with the central bank, from RMB24,392.7 million for the six months ended June 30, 2017 to RMB28,276.9 million for the six months ended June 30, 2018. The increase in average balance was primarily due to increased statutory deposit reserves resulting from the continued growth in deposits from customers.

(iii) Interest expense

The table below sets forth the principal components of interest expense of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2018		2017	
	Amount	% of total	Amount	% of total
Deposits from customers	1,978.9	50.9%	1,724.4	55.3%
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	230.1	5.9%	137.5	4.4%
Debt securities issued	754.6	19.4%	417.6	13.4%
Deposits from banks and other financial institutions	804.7	20.7%	765.3	24.5%
Borrowings from the central bank	120.9	3.1%	76.0	2.4%
Total	3,889.2	100.0%	3,120.8	100.0%

Interest expense increased by 24.6% from RMB3,120.8 million for the six months ended June 30, 2017 to RMB3,889.2 million for the six months ended June 30, 2018, primarily due to a 12.2% increase in the average balance of interest-bearing liabilities, from RMB238,726.7 million for the six months ended June 30, 2017 to RMB267,887.7 million for the six months ended June 30, 2018, and an increase in the average cost of interest-bearing liabilities, from 2.61% for the six months ended June 30, 2017 to 2.90% for the six months ended June 30, 2018. The increase in the average balance of interest-bearing liabilities was primarily due to the increases in customer deposits and repurchase transactions and our issuance of debt securities. The increase in the average cost of interest-bearing liabilities was primarily due to higher market interest rates.

(A) Interest expense on deposits from customers

Interest expense on deposits from customers increased by 14.8% from RMB1,724.4 million for the six months ended June 30, 2017 to RMB1,978.9 million for the six months ended June 30, 2018, primarily due to a 8.9% increase in the average balance of deposits from customers, from RMB171,842.9 million for the six months ended June 30, 2017 to RMB187,177.4 million for the six months ended June 30, 2018, as well as an increase in the average cost of deposits from customers, from 2.01% for the six months ended June 30, 2017 to 2.11% for the six months ended June 30, 2018. The increase in the average cost of deposits from customers was primarily due to an increase in market interest rates.

(B) Interest expense on financial assets sold under repurchase agreements and placements from banks and other financial institutions

Interest expense on financial assets sold under repurchase agreements and placements from banks and other financial institutions increased by 67.3% from RMB137.5 million for the six months ended June 30, 2017 to RMB230.1 million for the six months ended June 30, 2018, primarily due to a 19.9% increase in the average balance of financial assets sold under repurchase agreements and placements from banks and other financial institutions, from RMB9,583.9 million for the six months ended June 30, 2017 to RMB11,492.1 million for the six months ended June 30, 2018, and an increase in the average cost of financial assets sold under repurchase agreements and placements from banks and other financial institutions, from 2.87% for the six months ended June 30, 2017 to 4.00% for the six months ended June 30, 2018. The increase in average balance was primarily because the Bank entered into more repurchase transactions to diversify our financing channels. The increase in average cost was primarily due to higher market interest rates reflecting tightened market liquidity, which in turn led to an increase in the cost of repurchase transactions.

(C) Interest expense on debt securities issued

Interest expense on debt securities issued increased by 80.7% from RMB417.6 million for the six months ended June 30, 2017 to RMB754.6 million for the six months ended June 30, 2018, primarily due to a 61.2% increase in the average balance of debt securities issued, from RMB18,802.8 million for the six months ended June 30, 2017 to RMB30,301.7 million for the six months ended June 30, 2018 and an increase in the average cost of debt securities issued, from 4.44% for the six months ended June 30, 2017 to 4.98% for the six months ended June 30, 2018. The increase in average balance was primarily due to the Bank's issuance of financial bonds in an aggregate principal amount of RMB1,500.0 million and interbank certificates in an aggregate principal amount of RMB22,950.0 million. The increase in average cost was primarily due to the Bank's issuance of mid- and long-term financial bonds which had relatively higher interest rates, and an increase in the interest rates of interbank certificates reflecting higher market interest rates.

(D) Interest expense on deposits from banks and other financial institutions

Interest expense on deposits from banks and other financial institutions increased by 5.1% from RMB765.3 million for the six months ended June 30, 2017 to RMB804.7 million for the six months ended June 30, 2018, primarily due to a 3.8% decrease in the average balance of deposits from banks and other financial institutions, from RMB33,557.6 million for the six months ended June 30, 2017 to RMB32,273.1 million for the six months ended June 30, 2018, primarily because the Bank reduced fund raising through deposits from banks and other financial institutions as a result of increased deposits from customers and our issuance of interbank certificates and financial bonds. For the six months ended June 30, 2017 and 2018, the market interest rates increased, liquidity tightened, and the average cost of deposits from banks and other financial institutions increased from 4.56% to 4.99%.

(E) Interest expense on borrowings from the central bank

Interest expense on borrowings from the central bank increased by 59.1% from RMB76.0 million for the six months ended June 30, 2017 to RMB120.9 million for the six months ended June 30, 2018, primarily due to a 34.5% increase in the average balance of borrowings from the central bank, from RMB4,939.5 million for the six months ended June 30, 2017 to RMB6,643.4 million for the six months ended June 30, 2018, primarily due to increase in business. The average cost of borrowings from the central bank increased from 3.08% to 3.64% for the six months ended June 30, 2017 and 2018, primarily due to the increase of the interest rate.

(iv) Net interest spread and net interest margin

Net interest spread decreased from 2.81% for the six months ended June 30, 2017 to 2.27% for the six months ended June 30, 2018, primarily due to a decrease in average yield of total interest-earning assets, from 5.42% to 5.17%, primarily due to a decrease in the average yield of investment securities and other financial assets, primarily due to lower returns on our investments in non-standard credit assets, as well as our increased investments in debt securities with high liquidity and lower yields. The average cost of total interest-bearing liabilities increased from 2.61% to 2.90%, primarily due to higher market interest rate.

Net interest margin decreased from 2.96% for the six months ended June 30, 2017 to 2.50% for the six months ended June 30, 2018, primarily attributable to the growth in the daily average balance of interest-earning assets driven by the growth in our business, which outpaced the growth in net interest income.

(v) **Non-interest income**

(A) **Net fee and commission income**

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2018	2017	Increase or decrease	Percentage change (%)
Fee and commission income				
Wealth management service fees	26.3	125.2	(98.9)	(79.0)%
Agency service fees	95.9	57.1	38.8	68.0%
Settlement and clearing fees	45.2	45.2	0.0	0.0%
Bank acceptance bill service fees	12.2	13.0	(0.8)	(6.2)%
Letters of guarantee fees	0.1	3.3	(3.2)	(97.0)%
Others ⁽¹⁾	13.5	15.9	(2.4)	(15.1)%
Subtotal	193.2	259.7	(66.5)	(25.6)%
Fee and commission expenses	(65.4)	(35.2)	(30.2)	85.8%
Net fee and commission income	127.8	224.5	(96.7)	(43.1)%

Note:

(1) Primarily include guarantee fees and advisory service income.

Net fee and commission income decreased by 43.1% from RMB224.5 million for the six months ended June 30, 2017 to RMB127.8 million for the six months ended June 30, 2018, primarily due to a decrease in wealth management service fees of the Bank.

Fee and commission expenses mainly included settlement and clearing fees paid to third parties and debit card service fees. Fee and commission expenses increased by 85.8% from RMB35.2 million for the six months ended June 30, 2017 to RMB65.4 million for the six months ended June 30, 2018, primarily due to increases in debit cards issued and a higher volume of debit card transactions of the Bank which led to an increase in relevant expenses.

(B) **Net trading gains/losses**

Net trading gains/losses primarily included gains from selling, and the fair value changes of, financial assets held for trading. We had net losses of RMB3.9 million for the six months ended June 30, 2017 and net gains of RMB434.7 million for the six months ended June 30, 2018, primarily due to the application of IFRS 9 Financial Instruments.

(C) **Net gains from investment securities and other financial assets**

The net gains from investment securities and other financial assets included net gains from selling investment securities and other financial assets and revaluation gains arising from the reclassification of other comprehensive income to gains or losses

Chapter 4

Management Discussion and Analysis

upon the disposal of assets. The Bank did not dispose of any investment securities for the six months ended June 30, 2017. The Bank had net gains from investment securities and other financial assets of RMB2.4 million for the six months ended June 30, 2018.

(D) Net exchange gains/(losses)

Net exchange gains/(losses) mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. We had net exchange losses of RMB4.7 million for the six months ended June 30, 2017 and net exchange gains of RMB168.9 million for the six months ended June 30, 2018, primarily due to the fluctuations in exchange rates.

(E) Other operating income

Other operating income mainly included government subsidies and the short-term leasing and disposal income from fixed assets and mortgaged assets. Other operating income decrease by 86.3% from RMB84.0 million for the six months ended June 30, 2017 to RMB11.5 million for the six months ended June 30, 2018. This was mainly due to a decrease in government grants and other business income.

(vi) Operating expenses

Operating expenses increased by 17.2% from RMB842.2 million for the six months ended June 30, 2017 to RMB987.3 million for the six months ended June 30, 2018, the increase of operating expenses was mainly due to the growth of business.

The table below sets forth the principal components of operating expense of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2018	2017	Increase or decrease	Percentage change (%)
Staff costs	565.9	489.4	76.5	15.6%
Property and equipment expenses	243.7	190.2	53.5	28.1%
General management and administrative expenses	141.7	142.1	(0.4)	(0.3)%
Business tax and surcharge	36.0	20.5	15.5	75.6%
Total	987.3	842.2	145.1	17.2%
Cost-to-income ratio⁽¹⁾	21.61%	20.29%	1.32%	6.5%

Note:

(1) Calculated by dividing total operating expenses (net of business tax and surcharge) by total operating income.

(A) Staff costs

The table below sets forth the components of staff cost for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2018	2017	Increase or decrease	Percentage change (%)
Salaries and bonuses	449.8	397.1	52.7	13.3%
Social insurance	70.6	58.4	12.2	20.9%
Housing allowances	27.3	23.0	4.3	18.7%
Labour union and staff education expenses	8.8	5.3	3.5	66.0%
Staff welfares	9.0	4.2	4.8	114.3%
Others	0.4	1.4	(1.0)	(71.4)%
Total staff costs	565.9	489.4	76.5	15.6%

Staff cost increased by 15.6% from RMB489.4 million for the six months ended June 30, 2017 to RMB565.9 million for the six months ended June 30, 2018, primarily reflecting a corresponding increase in the number of employees due to the expansion of our business.

(B) Property and equipment expenses

Property and equipment expenses increased by 28.1% from RMB190.2 million for the six months ended June 30, 2017 to RMB243.7 million for the six months ended June 30, 2018. The increase in property and equipment expenses mainly reflected an increase in depreciation on equipment due to our development of new IT systems.

(C) General management and administrative expenses

General management and administrative expenses primarily included business promotion fees, administrative fees, transportation fee and repair expenses. General management and administrative expenses remained relatively stable at RMB142.1 million and RMB141.7 million for the six months ended June 30, 2017 and 2018.

(D) Business tax and surcharges

The Bank pays taxes on interest income from loans, fee and commission income and securities trading gains. Business tax and surcharges of the Bank increased by 75.6% from RMB20.5 million for the six months ended June 30, 2017 to RMB36.0 million for the six months ended June 30, 2018, primarily because business tax and surcharges increased as the operating income increased.

Chapter 4

Management Discussion and Analysis

(vii) Impairment losses on assets

The table below sets forth the principal components of impairment losses on assets for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2018	2017	Increase or decrease	Percentage change (%)
Loans and advances to customers	492.0	491.7	0.3	0.1%
Impairment loss of investment assets	(36.7)	(2.3)	(34.4)	1,495.7%
Impairment loss of other assets	2.4	7.7	(5.3)	(68.8)%
Acceptance bill & letter of guarantee	14.9	—	14.9	—
Total impairment losses on assets	472.6	497.1	(24.5)	(4.9)%

Impairment losses on assets decreased by 4.9% from RMB497.1 million for the six months ended June 30, 2017 to RMB472.6 million for the six months ended June 30, 2018 mainly due to decreases in provisions for impairment of investment assets.

Impairment losses on loans and advances to customers increased by 0.1% from RMB491.7 million for the six months ended June 30, 2017 to RMB492.0 million for the six months ended June 30, 2018, mainly due to a slight change in new non-performing loans for the six months ended June 30, 2018 as compared to the same period of last year.

Impairment losses of investment assets decreased by 1,495.7% from reversal of RMB2.3 million for the six months ended June 30, 2017 to the reversal of RMB36.7 million for the six months ended June 30, 2018. It is mainly due to a decrease in investment business for which impairment provision is made compared to the same period of last year.

(viii) Income tax expense

Income tax expense increased by 10.1% from RMB666.3 million for the six months ended June 30, 2017 to RMB733.5 million for the six months ended June 30, 2018. The increase in income tax expense was in line with the growth of our business. Effective tax rates were 24.6% and 24.9% for the six months ended June 30, 2017 and 2018, respectively.

(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of June 30, 2018 and December 31, 2017, the total assets of the Bank were RMB313,173.1 million and RMB271,147.6 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) deposits with banks; (iv) cash and deposits with the central bank; and (v) financial assets held under resale agreements. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Assets				
Loans and advances to customers, gross	150,133.0	47.9%	130,283.6	48.1%
Provision for impairment losses	(5,080.2)	(1.6)%	(5,029.0)	(1.9)%
Loans and advances to customers, net	145,052.8	46.3%	125,254.6	46.2%
Investment securities and other financial assets ⁽¹⁾	89,680.8	28.6%	70,105.5	25.9%
Deposits with banks	20,956.0	6.7%	30,811.7	11.4%
Cash and deposits with the central bank	32,682.6	10.4%	29,084.4	10.7%
Financial assets held under resale agreements	17,957.1	5.7%	9,819.9	3.6%
Other assets ⁽²⁾	6,843.8	2.3%	6,071.5	2.2%
Total assets	313,173.1	100.0%	271,147.6	100.0%

Notes:

(1) Include financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

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

(A) Loans and advances to customers

As of June 30, 2018, the total loans and advances to customers of the Bank were RMB150,133.0 million, representing an increase of 15.2% as compared to December 31, 2017. Net loans and advances to customers accounted for 46.3% of the total assets of the Bank, which has little change as compared to the same period of last year.

Chapter 4

Management Discussion and Analysis

The table below sets forth loans and advances to customers by product as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Corporate loans	106,988.9	71.3%	97,253.7	74.7%
Retail loans	24,372.4	16.2%	14,638.1	11.2%
Discounted bills	18,771.7	12.5%	18,391.8	14.1%
Total loans and advances to customers	150,133.0	100.0%	130,283.6	100.0%

Loans and advances to customers are the largest component of total assets. The Bank offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provisions for impairment losses, represented 46.3% and 46.2% of total assets as of June 30, 2018 and December 31, 2017, respectively.

The Bank's corporate loans increased by 10.0% from RMB97,253.7 million as of December 31, 2017 to RMB106,988.9 million as of June 30, 2018, primarily due to (i) the Bank fully exert the function as leading force of local finance and continue to enhance the intensity of granting loans to the real economy; and (ii) the introduction of new regulations on asset management led to an increase in market demand for corporate loans.

The Bank's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Bank's retail loans increased by 66.5% from RMB14,638.1 million as of December 31, 2017 to RMB24,372.4 million as of June 30, 2018, primarily due to (i) the Bank's efforts to support the financing needs of small and medium-sized enterprises (including sole proprietors); and (ii) the expansion of the distribution network.

Loans and advances to customers by type of collateral

The table below sets forth loans and advances to customers by type of collateral as of the dates indicated. If a loan is secured by multiple forms of collateral, the classification is based on the primary form of collateral.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Collateralized loans	61,312.5	40.8%	58,395.8	44.8%
Pledged loans	22,918.7	15.3%	8,977.9	6.9%
Guaranteed loans	47,193.1	31.4%	50,146.6	38.5%
Unsecured loans	18,708.7	12.5%	12,763.3	9.8%
Total loans and advances to customers	150,133.0	100.0%	130,283.6	100.0%

As of June 30, 2018 and December 31, 2017, collateralized loans, pledged loans and guaranteed loans in the aggregate represented 87.5% and 90.2% of total loans and advances to customers, respectively. Collateralized loans and pledged loans are subject to loan-to-value ratio limits based on the type of collateral. We usually only accept guarantees provided by listed companies, guarantee companies or guarantor with strong guarantee capacity and in compliance with guarantee conditions. We evaluate a guarantee company based on its size, credit history and risk-resistance level, as well as the value and quality of any collateral provided by the borrower.

Unsecured loans increased by 46.6% from RMB12,763.3 million as of December 31, 2017 to RMB18,708.7 million as of June 30, 2018. The increase of unsecured loans was primarily due to the Bank's successive launching of certain online loan products with lower risk by utilizing big data resources.

Change to the provisions for impairment losses on loans and advances to customers

The table below sets forth the change to the provision for impairment losses on loans and advances to customers as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018	As of December 31, 2017
As at the beginning of the Reporting Period	5,029.0	3,756.0
Implement new standard adjustment	52.2	—
Charge for the period/year	492.0	1,262.5
Write-off and others for the period/year	(493.0)	—
Reversal of write-offs for the previous years	—	10.5
As of June 30/December 31	5,080.2	5,029.0

Provisions for impairment losses on loans increased by 1.0% from RMB5,029.0 million as of December 31, 2017 to RMB5,080.2 million as of June 30, 2018, primarily due to the increase in the Bank's provision for impairment losses to counter against uncertainties arising from macroeconomic operation.

(B) Investment securities and other financial assets

As of June 30, 2018 and December 31, 2017, the Bank's investment securities and other financial assets were RMB89,680.8 million and RMB70,105.5 million, representing 28.6% and 25.9% of total assets, respectively.

Investment securities and other financial assets primarily include debt securities, asset management plans issued by other financial institutions, trust plans, wealth management products and fund products. Investment securities and other financial assets increase by RMB19,575.3 million from RMB70,105.5 million as of December 31, 2017 to RMB89,680.8 million as of June 30, 2018. This increase primarily reflected the adjustment of our investment portfolio based on market conditions and other factors.

Chapter 4

Management Discussion and Analysis

(ii) Liabilities

As of June 30, 2018 and December 31, 2017, the total liabilities of the Bank were RMB289,356.3 million and RMB254,534.6 million, respectively. Major components of the liabilities include (i) deposits from customers; (ii) debt securities issued; (iii) financial assets sold under repurchase agreements; and (iv) deposits from banks and other financial institutions. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Deposits from customers	198,248.7	68.5%	192,230.6	75.5%
Deposits from banks and other financial institutions	33,209.0	11.5%	20,178.4	7.9%
Financial assets sold under repurchase agreements	1,923.4	0.7%	5,817.5	2.3%
Debt securities issued	34,746.3	12.0%	23,960.8	9.4%
Borrowings from the central bank	9,626.9	3.3%	5,290.4	2.1%
Placements from banks and other financial institutions	4,078.0	1.4%	1,050.0	0.4%
Other liabilities ⁽¹⁾	7,524.0	2.6%	6,006.9	2.4%
Total liabilities	289,356.3	100.0%	254,534.6	100.0%

Note:

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

(A) Deposits from customers

Deposits from customers are the largest component of total liabilities. As of December 31, 2017 and June 30, 2018, deposits from customers represented 75.5% and 68.5% of the total liabilities, respectively.

We offer RMB-denominated demand and time deposit products to corporate and retail customers. The table below sets forth deposits from customers by product and customer type as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	60,676.1	30.6%	67,636.1	35.2%
Time deposits	16,165.8	8.2%	14,793.2	7.7%
Subtotal	76,841.9	38.8%	82,429.3	42.9%
Retail deposits				
Demand deposits	23,122.5	11.6%	22,077.3	11.5%
Time deposits	68,549.2	34.6%	59,921.8	31.2%
Subtotal	91,671.7	46.2%	81,999.1	42.7%
Pledged deposits	20,860.2	10.5%	17,447.3	9.0%
Others⁽¹⁾	8,874.9	4.5%	10,354.9	5.4%
Total deposits from customers	198,248.7	100.0%	192,230.6	100.0%

Note:

(1) Deposits raised from other investment vehicles.

Total deposits from customers increased by 3.1% from RMB192,230.6 million as of December 31, 2017 to RMB198,248.7 million as of June 30, 2018. The increases in deposits from customers were primarily attributable to our enhanced marketing efforts to grow corporate deposits and retail deposits.

(B) Debts securities issued

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

Chapter 4

Management Discussion and Analysis

From January 1, 2017 to December 31, 2017, we issued several tranches of zero-coupon interbank certificates in an aggregate face value of RMB44,980.0 million. These interbank certificates have terms of one month to one year and bear effective interest rates between 3.10% and 5.42% per annum.

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

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

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

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

From January 1, 2018 to June 30, 2018, we issued 165 tranches of zero-coupon interbank certificates in an aggregate face value of RMB22,950.0 million. These interbank certificates have terms of one month to one year and bear effective interest rates between 4.40% and 5.35% per annum.

In May 2018, we issued financial bonds in an aggregate principal amount of RMB1,500.0 million. The bonds have a term of three years and bear an interest rate of 4.87% per annum.

(iii) Shareholders' equity

The table below sets forth the change in shareholders' equity of the Bank as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Share capital	10,069.8	42.3%	7,526.0	45.3%
Capital reserve	4,657.8	19.6%	1,767.7	10.6%
Defined benefit scheme reserve	(1.7)	(0.0)%	(0.7)	—
Investment revaluation reserve	55.9	0.2%	(125.3)	(0.8)%
Surplus reserve	1,166.9	4.9%	893.0	5.4%
General reserve	3,631.7	15.2%	3,631.6	21.9%
Retained earnings	4,208.5	17.7%	2,889.0	17.4%
Non-controlling interests	27.9	0.1%	31.7	0.2%
Total equity	23,816.8	100.0%	16,613.0	100.0%

(c) Asset quality analysis

(i) Breakdown of loans by the five-category classification

For the Bank, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As of June 30, 2018, the Bank's non-performing loans amounted to RMB2,616.9 million. The table below sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Normal	142,281.5	94.7%	120,835.5	92.7%
Special mention	5,234.6	3.5%	7,182.8	5.5%
Sub-standard	1,303.9	0.9%	780.2	0.6%
Doubtful	754.0	0.5%	858.6	0.7%
Loss	559.0	0.4%	626.5	0.5%
Total loans and advances to customers	150,133.0	100.0%	130,283.6	100.0%
Non-performing loans and non-performing loan ratio⁽¹⁾	2,616.9	1.74%	2,265.3	1.74%

Note:

(1) Calculated by dividing non-performing loans by total loans and advances to customers.

As of June 30, 2018 and December 31, 2017, the non-performing loan ratios of the Bank were 1.74% and 1.74%, respectively, which remained relatively stable.

Chapter 4

Management Discussion and Analysis

(ii) Concentration of loans

(A) Concentration by industry and distribution of non-performing loans

The table below sets forth the breakdown of loans and non-performing loans by industry as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018				As of December 31, 2017			
	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio
Corporate loans								
Wholesale and retail	22,331.5	14.9%	866.4	3.88%	18,232.4	14.0%	783.7	4.30%
Manufacturing	16,915.6	11.3%	431.8	2.55%	15,743.3	12.1%	346.4	2.20%
Agriculture, forestry, animal husbandry and fishing	8,470.0	5.6%	438.4	5.18%	15,728.2	12.1%	399.1	2.54%
Construction	9,188.0	6.1%	351.8	3.83%	12,101.3	9.3%	122.0	1.01%
Real estate	12,946.0	8.6%	—	—	13,685.8	10.5%	—	—
Mining	7,794.8	5.2%	79.7	1.02%	7,087.5	5.4%	208.0	2.93%
Water, environment and public facility management	8,699.7	5.8%	—	—	3,133.2	2.4%	—	—
Culture, sports and entertainment	2,817.9	1.9%	10.3	0.37%	2,628.0	2.0%	2.3	0.09%
Leasing and business services	5,865.0	3.9%	44.0	0.75%	1,695.6	1.3%	27.0	1.59%
Electricity, heating power, gas and water production and supply	2,423.6	1.6%	—	—	2,545.3	2.0%	30.0	1.18%
Transportation, storage and postal services	1,726.9	1.2%	38.8	2.25%	1,173.8	0.9%	38.3	3.26%
Education	1,622.3	1.1%	9.0	0.55%	1,384.6	1.0%	—	—
Accommodation and catering	2,549.6	1.7%	30.0	1.18%	1,172.3	0.9%	60.8	5.19%
Financial	600.0	0.4%	—	—	3.0	0.0%	—	—
Health and social services	1,515.7	1.0%	—	—	463.4	0.4%	—	—
Residents and other services	415.4	0.3%	1.1	0.27%	224.3	0.2%	2.5	1.11%
Scientific research, technical service and geological prospecting	911.9	0.6%	—	—	126.0	0.1%	—	—
Information transmission, computer service and software	147.5	0.1%	—	—	74.3	0.1%	3.0	4.04%
Public administration, social security and social organizations	47.5	0.0%	—	—	51.4	—	—	—
Retail loans	24,372.4	16.2%	315.6	1.29%	14,638.1	11.2%	242.2	1.65%
Discounted bills	18,771.7	12.5%	—	—	18,391.8	14.1%	—	—
Total amount	150,133.0	100.0%	2,616.9	1.74%	130,283.6	100.0%	2,265.3	1.74%

Note: Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry.

Loans to borrowers in the wholesale and retail, manufacturing, water, environment and public facility management, construction, and real estate industries represented the largest components of the Bank's corporate loan portfolio. Loans to these industries accounted for 77.6% and 65.5% of total corporate loans as of December 31, 2017 and June 30, 2018, respectively.

As of June 30, 2018, non-performing loans of the Bank's corporate loans were mainly concentrated in the agriculture, forestry, animal husbandry, fishery and the wholesale and retail industry, with a non-performing loan ratio of 5.18% and 3.88%, respectively.

(B) Borrower concentration

Indicators of concentration

Major regulatory indicators	Regulatory standard	As of June 30, 2018	As of December 31, 2017
Loan concentration ratio for the largest single customer (%)	≤ 10	3.75%	4.56%
Loan concentration ratio for the top ten customers (%)	≤ 50	30.44%	35.35%

Note: The data above are calculated in accordance with the formula promulgated by the CBIRC.

Chapter 4

Management Discussion and Analysis

Loans to the 10 largest single borrowers

The following table sets forth the 10 largest single borrowers (excluding group borrowers) as reported to the PRC regulator as of June 30, 2018 and the balances of loans to these borrowers. All of these loans were classified as normal.

(Expressed in millions of RMB, unless otherwise stated)		As of June 30, 2018		
Customers	Industries involved	Amount	% of total loans	% of regulatory capital
Borrower A	Construction	1,100.0	0.7%	3.7%
Borrower B	Real estate	1,100.0	0.7%	3.7%
Borrower C	Leasing and business services	1,018.0	0.7%	3.5%
Borrower D	Mining	1,000.0	0.7%	3.4%
Borrower E	Manufacturing	876.4	0.6%	3.0%
Borrower F	Scientific research and technical services	800.0	0.5%	2.7%
Borrower G	Agriculture, forestry, animal husbandry and fishery	800.0	0.5%	2.7%
Borrower H	Real estate	770.0	0.5%	2.6%
Borrower I	Electricity, heating, gas and water production and supply	750.0	0.5%	2.6%
Borrower J	Mining	720.0	0.5%	2.5%
Total		8,934.4	5.9%	30.4%

(C) Non-performing loans by product

The table below sets forth loans and non-performing loans by product type as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018			As of December 31, 2017		
	Loan amount	Non- performing loan amount	Non- performing loan ratio ⁽¹⁾ (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio ⁽¹⁾ (%)
Corporate loans						
Fixed asset loans	35,260.3	20.0	0.06%	32,509.8	150.0	0.46%
Working capital loans	71,633.4	2,252.3	3.14%	64,473.9	1,714.3	2.66%
Others ⁽²⁾	95.2	29.0	30.5%	270.0	158.8	58.81%
Sub-total	106,988.9	2,301.3	2.15%	97,253.7	2,023.1	2.08%
Retail loans						
Personal business loans	6,349.1	249.6	3.93%	6,693.4	215.2	3.21%
Personal consumption loans	8,644.1	49.0	0.57%	3,962.7	21.5	0.54%
Residential and commercial mortgage loans	9,379.2	17.0	0.18%	3,982.0	5.5	0.14%
Sub-total	24,372.4	315.6	1.29%	14,638.1	242.2	1.65%
Discounted bills	18,771.7	—	—	18,391.8	—	—
Total non-performing loans	150,133.0	2,616.9	1.74%	130,283.6	2,265.3	1.74%

Notes:

(1) Calculated by dividing non-performing loans by loans and advances to customers of each product category.

(2) Primarily consist of advances for bank acceptance bill.

Chapter 4

Management Discussion and Analysis

The non-performing loan ratio of corporate loans increased from 2.08% as of December 31, 2017 to 2.15% as of June 30, 2018, which remained relatively stable.

The non-performing loan ratio of retail loans decreased from 1.65% as of December 31, 2017 to 1.29% as of June 30, 2018, primarily due to our enhanced efforts to recover loans from delinquent customers and customers with potential risks.

(D) Loan aging schedule

The table below sets forth the loan aging schedule for loans and advances to customers as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Loans not overdue	145,773.3	97.1%	124,916.9	95.9%
Loans past due for:				
1 to 90 days	1,794.3	1.2%	2,042.1	1.6%
91 days to 1 year	1,132.2	0.7%	1,521.2	1.2%
1 to 3 years	715.2	0.5%	1,356.0	1.0%
3 years or more	718.0	0.5%	447.4	0.3%
Subtotal	4,359.7	2.9%	5,366.7	4.1%
Total loans and advances to customers	150,133.0	100.0%	130,283.6	100.0%

(d) Segments information

(i) Summary of business segment

We operate three principal lines of business: corporate banking, retail banking and financial market operations. The table below sets forth the operating income for each of our principal business segments for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2018		2017	
	Amount	% of total	Amount	% of total
Corporate banking	2,183.6	49.6%	2,111.8	52.2%
Retail banking	487.5	11.1%	370.1	9.1%
Financial market operations	1,548.6	35.1%	1,474.8	36.4%
Others ⁽¹⁾	183.3	4.2%	93.8	2.3%
Total operating income	4,403.0	100.0%	4,050.5	100.0%

Note:

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

(ii) Summary of geographical segment information

No geographical information is presented as most of the Group's operations are conducted in Gansu Province of the PRC and all non-current assets are located and therefore revenue is derived from activities in Gansu province of the PRC.

Chapter 4

Management Discussion and Analysis

(e) Off-balance sheet commitments

Off-balance sheet commitments primarily consist of loan commitments, bank acceptances, letters of guarantee, operating lease commitments and capital commitments. The table below sets forth our contractual amounts of off-balance sheet commitments as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018	As of December 31, 2017
Credit commitments:		
Loan commitments	20.0	24.0
Bank acceptances ⁽¹⁾	33,233.6	29,352.8
Letters of guarantee ⁽²⁾	554.9	516.2
Subtotal	33,808.5	29,893.0
Operating lease commitments	445.2	372.9
Capital commitments	73.5	298.8
Total	34,327.2	30,564.7

Notes:

(1) Bank acceptances refer to our undertakings to pay bank bills drawn on our customers.

(2) We issue letters of credit and guarantee to third parties to guarantee our customers' contractual obligations.

Off-balance sheet commitments increased by 12.3% from RMB30,564.7 million as of December 31, 2017 to RMB34,327.2 million as of June 30, 2018. The increases in off-balance sheet commitments were primarily due to the fact that (i) after the Bank launched the new billing system on October 28, 2017, customers can enjoy more efficient and convenient billing services with less billing time, so that the number of bills issued by the Bank increased; and (ii) pursuant to relevant requirements under the Notice of the Office of Lanzhou Central Branch of the People's Bank of China on Implementation Plan for Promoting Electronic Commerce Bills Business Issued in Gansu Province (Lan Yin Ban [2016] No. 220), the Bank vigorously promoted business of electronic bank acceptance through publicity and training, so as to accelerate the progress of electronization of acceptance, which has significantly increased the number of electronic bank acceptance issued.

4. BUSINESS REVIEW

(a) Corporate banking

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

In addition, we committed to seeking to develop long-term relationships with customers by closely monitoring their financial needs and offering tailored financial solutions. As of June 30, 2018, we had 4,395 corporate borrowers with total loans of RMB106,988.9 million, and 57,727 corporate deposit customers with total deposits of RMB76,841.9 million. For the six months ended June 30, 2017 and 2018, operating income from our corporate banking business accounted for 52.2% and 49.6% of our total operating income, respectively. The table below sets forth the financial performance of our corporate banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Percentage change (%)
	2018	2017	
External interest income, net ⁽¹⁾	2,744.3	2,379.8	15.3%
Inter-segment interest expenses, net ⁽²⁾	(615.4)	(351.6)	75.0%
Net interest income	2,128.9	2,028.2	4.9%
Net fees and commission income	54.7	83.6	(34.6)%
Operating income	2,183.6	2,111.8	3.4%
Operating expenses	(423.3)	(439.1)	(3.6)%
Impairment losses on assets	(319.8)	(331.8)	(3.6)%
Operating profit	1,440.5	1,340.9	7.4%
Profit before tax	1,440.5	1,340.9	7.4%

Notes:

(1) Represents net income and expenses from third parties.

(2) Represents inter-segment expenses and consideration of transfer.



Chapter 4

Management Discussion and Analysis

(i) Corporate loans

Corporate loans constituted the largest component of our loan portfolio. As of June 30, 2018 and December 31, 2017, corporate loans amounted to RMB106,988.9 million and RMB97,253.7 million, accounting for 71.3% and 74.7% of our total loans and advances to customers, respectively.

(ii) Discounted bills

We purchase bank and commercial acceptance bills with remaining maturities of up to one year at discounted prices to satisfy the short-term funding needs of banks and corporate customers. As of June 30, 2018 and December 31, 2017, discounted bills totaled RMB18,771.7 million and RMB18,391.8 million, accounting for 12.5% and 14.1% of our total loans and advances to customers, respectively.

(iii) Corporate deposits

We accept demand and time deposits denominated in Renminbi and major foreign currencies (including USD, HKD and EUR) from corporate customers. As of June 30, 2018 and December 31, 2017, corporate deposits totaled RMB76,841.9 million and RMB82,429.3 million, accounting for 38.8% and 42.9% of our total customer deposits, respectively.

(iv) Fees and commission-based products and services

We offer corporate customers a broad range of fees and commission-based products and services, primarily including wealth management services, entrusted loans, settlement services and consultation and financial advisory services.

(A) Wealth management services

We offer corporate customers a broad range of wealth management products based on their risk and return preferences. We invest funds from these wealth management products primarily in bonds, interbank deposits, money market instruments and other fixed income products.

For the six months ended June 30, 2018 and 2017, wealth management products sold to corporate customers totaled RMB586.1 million and RMB785.9 million, respectively.

(B) Entrusted loans

We provide loans to borrowers designated by corporate customers, who determine the use of proceeds, principal amount and interest rates for these loans. We monitor the use of entrusted loans by borrowers and assist corporate customers in recovering these loans.

We charge agency fees based on the principal amount of entrusted loans. Our corporate customers bear the risk of default associated with these loans. For the six months ended June 30, 2018 and 2017, service fees charged to corporate customers for entrusted loans totaled RMB63.3 million and RMB57.1 million, respectively.

(C) Settlement services

We offer corporate customers domestic and international settlement services.

Domestic Settlement Services. We provide domestic settlement services in the form of bank acceptance bills, collections and telegraphic transfers. As of June 30, 2018 and December 31, 2017, our total domestic settlement transaction volumes were approximately RMB3,108.2 billion and RMB7,910.2 billion, respectively.

International Settlement Services. We obtained approval to provide international settlement services in January 2014. Our international settlement services primarily include remittance, collection, letters of credit and letters of guarantee.

We established cooperative relationships with twenty overseas corporate customers. As of June 30, 2018 and December 31, 2017, our international settlement transaction volumes were US\$616 million and US\$664 million, of which settlement transactions involving Iran had total volumes of US\$575 million and US\$591 million, respectively.

(D) Consultation and financial advisory services

We structure financial solutions and offer advisory services with respect to the economy, financial markets and industry trends for corporate customers. For the six months ended June 30, 2018 and 2017, our fee and commission income from consultation and financial advisory services were nil and RMB0.8 million, respectively.

(E) Other fees and commission-based products and services

We offer other fees and commission-based products and services to corporate customers, such as guarantee and foreign exchange services.

(b) Retail banking

We offer retail customers a wide range of financial products and services, including loans, deposits, bank card services and fees and commission-based products and services. We have a large retail customer base.

As of June 30, 2018, we had 63,415 retail borrowers with total loans of RMB24,372.4 million and over 4.52 million retail deposit customers with total deposits of RMB91,671.7 million. For the six months ended June 30, 2018 and 2017, operating income from our retail banking business accounted for 11.1% and 9.1% of our total operating income, respectively.

We categorize retail banking customers into regular customers (with average financial asset balances of under RMB50,000), wealth management customers (with average financial asset balances of RMB50,000 or above but less than RMB200,000), wealthy customers (with average financial asset balances of RMB200,000 or above but less than RMB3.0 million) and private banking customers (with average financial asset balances of RMB3.0 million or above).

Chapter 4

Management Discussion and Analysis

As of June 30, 2018, we had 128,174 wealthy customers and 1,070 private banking customers. We continue to grow our wealthy customer and private banking customer base by expanding our product and service portfolio. The table below sets forth the financial performance of our retail banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		
	2018	2017	Percentage change (%)
External interest expenses, net ⁽¹⁾	(562.5)	(842.1)	(33.2)%
Inter-segment interest income, net ⁽²⁾	1,038.2	1,211.0	(14.3)%
Net interest income	475.7	368.9	29.0%
Net fee and commission income	11.8	1.2	875.0%
Operating income	487.5	370.1	31.7%
Operating expenses	(90.7)	(76.9)	17.9%
Impairment losses on assets	(172.2)	(80.7)	113.4%
Operating profit	224.6	212.5	5.7%
Profit before tax	224.6	212.5	5.7%

Notes:

- (1) Represents net income and expenses from third parties.
- (2) Represents inter-segment expenses and consideration of transfer.

(i) Retail loans

We offer retail customers personal business loans, personal consumption loans and personal residential and commercial mortgage loans. As of June 30, 2018 and December 31, 2017, total retail loans were RMB24,372.4 million and RMB14,638.1 million, accounting for 16.2% and 11.2% of our total loans and advances to customers, respectively.

(ii) Retail deposits

We accept demand and time deposits denominated in Renminbi and major foreign currencies from retail customers. As of June 30, 2018 and December 31, 2017, retail deposits totaled RMB91,671.7 million and RMB81,999.1 million, accounting for 46.2% and 42.7% of our total customer deposits, respectively.

(iii) Bank card services

(A) Debit cards

We issue debit cards denominated in Renminbi to retail customers holding deposit accounts with us. Customers may use debit cards for a variety of purposes, such as cash deposits and withdrawals, transfers, payments, settlements, consumption, bill payments, financing and wealth management. We provide cardholders with differentiated services by classifying debit cards into basic cards, gold cards, platinum cards and diamond cards based on a bank cardholder's deposit balances.

To expand our customer base and service scope, we issue the following debit cards in cooperation with government agencies and public organizations:

- Social Security Card (社會保障卡): We work with the Department of Human Resources and Social Security of Gansu Province (甘肅省人力資源和社會保障廳) to issue debit cards, which can be used for making social security contributions and social security information inquiries.
- Housing Provident Fund Co-branded Cards (公積金聯名卡): We work with the local housing provident fund management center to issue debit cards, which can be used for withdrawal and transfer of housing provident funds, loan distribution and account inquiries.
- Longyuan Transportation Cards (隴原交通卡): We work with the Gansu Provincial Expressway Administration to issue IC financial cards, which can be used for paying expressway tolls electronically.

In addition, to enhance our brand recognition, we cooperate with local governments to issue theme cards based on regional characteristics of Gansu province, such as the Golden Tower Golden Poplar Card (金塔金胡楊卡), Xiongguan Card (雄關卡), the Journey of Xuanzang Card (玄奘之路卡) and Long Nan Landscape Card (隴南山水卡). We also cooperate with various institutions in issuing co-branded cards, including the Gansu Police Vocational College Co-branded Card (甘肅警察職業學校聯名卡), Tianshui High School Student Aid Card (天水高中生資助卡) and Qingyang Traffic Police Co-branded Card (慶陽交警聯名卡).



Chapter 4

Management Discussion and Analysis

As of June 30, 2018, we had issued approximately 6.40 million debit cards. As of June 30, 2018 and December 31, 2017, holders of these debit cards conducted transactions of approximately RMB7,962.8 million and RMB19,751.3 million, respectively.

(B) Credit cards

In August 2013, we obtained approval to issue the Official Financial and Business Card (財政公務卡) to employees that work in budgetary institutions in Gansu province, mainly to cover their daily official expenses, reimbursements and personal consumption needs.

We obtained approval to issue credit cards in June 2016.

(C) POS settlement services

As a payment settlement service provider, we provide selected merchants with transaction fund settlement services. As of June 30, 2018, we had 17,867 selected merchant customers for POS settlement services and 20,204 POS terminals.

(iv) Fees and commission-based products and services

We offer retail customers a wide range of fees and commission-based products and services, primarily including wealth management services, agency services and payroll and payment agency services.

(A) Wealth Management Services

We offer retail customers wealth management products under our Huifu (匯福) series based on their risk and return preferences. We invest funds from these wealth management products primarily in bonds, interbank deposits, money market instruments and other fixed income products.

For the six months ended June 30, 2018 and 2017, wealth management products sold to retail customers totaled RMB17,862.5 million and RMB11,223.2 million, respectively. As of June 30, 2018, we had 237,794 retail wealth management clients and the return rate of our retail wealth management products was between 4.0% and 5.5% for the six months ended June 30, 2018.

(B) Agency services

We sell insurance and precious metal products to retail customers as an agent.

Insurance Products. As of June 30, 2018, we had entered into agency agreements with 6 nationwide insurance companies to promote and distribute their insurance products.

Precious Metal Products. We received approval to distribute precious metals in China in August 2015. For the six months ended June 30, 2018 and 2017, we sold an aggregate of RMB191.5 million and RMB36.6 million of precious metal products, respectively.

In October 2016, Dunhuang Research Academy granted us an exclusive license to jointly develop and sell precious metal products featuring Mogao Grottoes.

In addition, we have completed the development of a fund agent system and fund qualification training for our employees.

(C) Payroll and payment agency services

Payroll Services. We provide payroll services to governmental agencies, public organizations and enterprises customers. As of June 30, 2018, we had over 604,054 payroll customers. For the six months ended June 30, 2018 and 2017, we paid, in the role of paying agent, average monthly salaries of approximately RMB1,983.8 million and RMB1,359.1 million, respectively.

Payment Agency Services. We offer customers payment agency services related to daily living expenses (such as utilities costs) through our broad distribution network.

Chapter 4

Management Discussion and Analysis

(D) Other fees and commission-based products and services

We offer other fees and commission-based products and services to retail customers, such as fund transfer, remittance and acceptance services.

(c) Financial market operations

Our financial market operations, which primarily include money market transactions, investment business and wealth management business, are one of our most important revenue sources. For the six months ended June 30, 2018 and 2017, operating income from financial market operations accounted for 35.1% and 36.4% of our total operating income, respectively. The table below sets forth the financial performance of the Bank's treasury operations for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Percentage change (%)
	2018	2017	
External interest income, net ⁽¹⁾	1,475.8	2,212.9	(33.3)%
Inter-segment interest expenses, net ⁽²⁾	(422.8)	(859.4)	(50.8)%
Net interest income	1,053.0	1,353.5	(22.2)%
Net fee and commission income	58.4	125.2	(53.4)%
Net trading gains/(losses)	434.7	(3.9)	—
Net gains arising from investment securities	2.5	—	—
Operating income	1,548.6	1,474.8	5.0%
Operating expenses	(451.4)	(306.7)	47.2%
Impairment reversed/(losses) on assets	36.7	(76.8)	(147.8)%
Operating profit	1,133.9	1,091.3	3.9%
Profit before tax	1,133.9	1,091.3	3.9%

Notes:

(1) Represents net income and expenses from third parties.

(2) Represents inter-segment expenses and consideration of transfer.

(i) Money market transactions

We adjust our liquidity using various monetary market instruments and earn interest income from money market transactions. Money market transactions primarily include (i) interbank deposits; (ii) interbank placements; and (iii) repurchase and reverse repurchase transactions.

(A) Interbank deposits

We deposit and withdraw funds from banks and other financial institutions to manage our assets and liabilities. We accept deposits from banks and other financial institutions and deposit money in banks and other financial institutions, and also engage in other interbank transactions with certain of these banks and financial institutions.

As of June 30, 2018 and December 31, 2017, deposits from banks and other financial institutions totaled RMB33,209.0 million and RMB20,178.4 million, and our deposits at banks and other financial institutions totaled RMB20,958.1 million and RMB30,811.7 million, respectively.

(B) Interbank placements

As of June 30, 2018 and December 31, 2017, we did not make any placements with banks and other financial institutions. As of the same dates, placements from banks and other financial institutions totaled RMB4,078.0 million and RMB1,050 million, respectively.

(C) Repurchase and reverse repurchase transactions

The securities underlying our repurchase and reverse repurchase transactions are mainly RMB-denominated PRC government bonds and policy financial bonds. As of June 30, 2018 and December 31, 2017, financial assets held under resale agreements totaled RMB17,957.1 million and RMB9,819.9 million, and financial assets sold under repurchase agreements totaled RMB1,923.4 million and RMB5,817.5 million, respectively.

Chapter 4

Management Discussion and Analysis

(ii) Investment securities and other financial assets

Investment securities and other financial assets primarily include debt securities, asset management plans issued by other financial institutions, trust plans, wealth management products and fund products.

(A) Security investment by holding purpose

The table below sets forth investment securities and other financial assets by investment intention as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Debt securities classified as receivables	—	—	48,182.6	68.7%
Available-for-sale financial assets	—	—	13,057.2	18.6%
Held-to-maturity investments	—	—	8,616.1	12.3%
Financial assets at fair value through profit or loss	30,829.1	34.4%	249.6	0.4%
Debt instruments at fair value through other comprehensive income	7,221.6	8.1%	—	—
Financial assets at amortized cost	51,630.1	57.5%	—	—
Total amount of investment securities and other financial assets	89,680.8	100.0%	70,105.5	100.0%

Total amount of investment securities and other financial assets increased from RMB70,105.5 million as of December 31, 2017 to RMB89,680.8 million as of June 30, 2018, representing an increase of 27.9%.

(B) Maturity profile of the Bank's investment portfolio

The table below sets forth investment securities and other financial assets by remaining maturity as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Repayable on demand	—	—	—	—
Due in three months or less	32,328.1	36.0%	14,885.3	21.2%
Due between three months and one year	16,424.6	18.3%	18,661.4	26.6%
Due between one year and five years	36,732.9	41.0%	32,251.2	46.0%
Due over five years	4,195.2	4.7%	4,307.6	6.2%
Indefinite ⁽¹⁾	—	—	—	—
Total	89,680.8	100.0%	70,105.5	100.0%

Note:

(1) Refers to impaired investments, investments overdue for more than one month and equity investments.

The Bank's securities investment with a remaining maturity between one year and five years represent the largest portion of the Bank's investment securities.

Chapter 4

Management Discussion and Analysis

(C) Holding of government bonds

As of June 30, 2018, the balance of face value of government bonds held by the Bank amounted to RMB7,892.3 million. The table below sets forth the top 10 government bonds with the highest face value held by the Bank as of June 30, 2018.

Name of the bond	Face value (in millions of RMB)	Interest rate per annum	Maturity date
18 Gansu bond 01 (18甘肅債01)	1,040.0	3.39%	April 24, 2023
16 Interest-bearing treasury bond 22 (16附息國債22)	1,000.0	2.29%	October 27, 2019
18 Gansu 02 (18甘肅02)	700.0	3.79%	June 15, 2023
16 Gansu Targeted 02 (16甘肅定向02)	677.6	3.26%	April 21, 2023
18 Gansu 03 (18甘肅03)	500.0	3.90%	June 15, 2025
18 Gansu 04 (18甘肅04)	500.0	4.18%	June 15, 2028
17 Interest-bearing treasury bond 16 (17附息國債16)	500.0	3.46%	July 27, 2020
17 Interest-bearing treasury bond 12 (17附息國債12)	500.0	3.62%	June 15, 2019
16 Gansu Targeted 01 (16甘肅定向01)	443.0	3.26%	April 21, 2023
17 Gansu bond 22 (17甘肅債22)	420.0	3.80%	October 18, 2024

(D) Holding of financial bonds

As of June 30, 2018, the balance of face value of the financial bonds (mainly the financial bonds issued by policy banks, commercial banks and other financial institutions) held by the Bank amounted to RMB10,250.0 million. The table below sets forth the top 10 financial bonds with the highest face value held by the Bank as of June 30, 2018.

Name of the bond	Face value (in millions of RMB)	Interest rate per annum	Maturity date
17 CDB bond 09 (17國開09)	1,370.0	4.14%	September 11, 2020
18 ADBC bond 05 (18農發05)	1,200.0	4.13%	April 11, 2020
15 ADBC bond 15 (15農發15)	1,000.0	3.73%	May 22, 2020
17 ADBC bond 02 (17農發02)	700.0	3.54%	January 6, 2020
15 CDB bond 13 (15國開13)	500.0	3.86%	June 25, 2020
15 CDB bond 16 (15國開16)	500.0	3.94%	July 10, 2022
18 EIBC bond 03 (18進出03)	450.0	4.97%	January 29, 2023
14 CDB bond 02 (14國開02)	410.0	5.75%	January 14, 2019
17 CDB bond 11 (17國開11)	350.0	3.83%	October 20, 2018
15 EIBC bond 03 (15進出03)	350.0	3.85%	January 26, 2020

(d) Distribution network

(i) Physical outlets

As of June 30, 2018, we had 1 head office operational department, 12 branches, 188 sub-branches, 3 micro-to-small sub-branches, 1 community sub-branch and 1 subsidiary. Our branch network covered all of Gansu's cities and prefectures and approximately 86% of its counties and districts.

Chapter 4

Management Discussion and Analysis

(ii) Electronic banking business

(A) Internet banking

Through the Internet, we offer customers account management, information inquiry, remittance and transfer, payment, investment and wealth management and other financial services. As of June 30, 2018, we had over 1.04 million Internet banking customers, consisting of 36,399 corporate customers and over 1.004 million retail customers. As of June 30, 2018, our corporate customers conducted over 4.5 million online transactions with a total transaction amount of approximately RMB906,207.2 million, while retail customers conducted approximately 5.4 million online transactions with a total transaction amount of approximately RMB193,023.0 million.

(B) Direct banking platform

We launched our direct banking platform in August 2016. Through the platform, our customers can achieve electronic account management, smart saving, investment and financing, and purchases of financial products and services. As of June 30, 2018, our direct banking platform had over 721,900 registered users with total transaction amounts of RMB7,107.4 million. The sales volume of direct banking platform products exceeded RMB2,388.1 million.

(C) Mobile phone banking

We provide customers with various financial services, such as account inquiries and management, transfers, payments and loan management. As of June 30, 2018, we had approximately 1.55 million mobile phone banking customers that had conducted approximately 11.4 million transactions through mobile phones, with total transaction amounts of approximately RMB121,565.0 million.

(D) Telephone banking

We provide customers with loan and deposit account inquiries, personal debit card account transfers, bill inquiries, lost declarations and business inquiry services through an interactive self-service voice system and live customer service. As of June 30, 2018, we had 279,813 telephone banking customers, including 279,798 individual customers and 15 corporate customers.

(E) Self-service banking

We provide convenient banking services to customers at lower operating costs through self-service facilities. Our self-service banking services include balance inquiries, cash withdrawals and deposits, transfers and public utilities payments. As of June 30, 2018, we had 205 outlets, 165 off-bank self-service zones and 781 self-service facilities.

(F) WeChat banking

WeChat has become an important channel that provides value-added services to retail customers. Through WeChat banking, customers can access our products and services; manage accounts, transaction inquires, payment and convenience services; and search for our outlet locations. As of June 30, 2018, we had over 420,000 WeChat banking customers.

(G) E-commerce platform

In April 2017, we formally launched our e-commerce platform “Longyin Commerce”, which provides merchants with comprehensive services. These services include purchasing, sales and inventory management, and online B2B and B2C transactions. As of June 30, 2018, the platform had 721 merchants and 77,559 users.

(e) Information on the subsidiary

Jingning Chengji Rural Bank

In September 2008, Pingliang City Commercial Bank established Jingning Chengji Rural Bank with other 4 legal entities and 7 individuals. As of June 30, 2018, we held an approximately 62.73% equity interest in Jingning Chengji Rural Bank.

Jingning Chengji Rural Bank offers financial products and services, including loans, deposits and fees and commission-based products and services to local corporate and retail customers.

As of June 30, 2018, Jingning Chengji Rural Bank had 25 corporate loan customers, 598 corporate deposit customers, 3,324 retail loan customers and 64,168 retail deposit customers. As of June 30, 2018, Jingning Chengji Rural Bank had 12 outlets and 107 employees.

As of June 30, 2018, Jingning Chengji Rural Bank had total assets of RMB1,228.5 million, total deposits of RMB990.4 million and total loans of RMB693.6 million. For the six months ended June 30, 2017 and 2018, operating income attributable to Jingning Chengji Rural Bank totaled RMB23.4 million and RMB0.0 million, accounting for 0.6% and 0.0% of our total operating income, respectively.

We assist Jingning Chengji Rural Bank by providing strategic guidance and employee training. We also dispatch professional staff to improve its employees' business skills, and share experience to innovate its products and services to diversify its business.

(f) Operation and safety of IT systems

We regularly upgrade our IT system and increase our investment in IT each year to support the operation and management of our businesses. For the six months ended June 30, 2017 and 2018, investments in our IT system totaled RMB85.3 million and RMB53.5 million, respectively.

Our new core banking system based on the SOA-framework was formally put into operation in October 2017. Constructed according to the five-layer application framework of the “four horizontal layers and one vertical layer”, the system is able to achieve rapid and flexible product innovation, centralized management of customer information, separation of transaction and accounting, refined management and decision making, transformation of a process-oriented bank and dynamic management of system resources.

We place a high priority on business continuity and information security. We have established disaster recovery centres in Lanzhou and Xi'an and conducted periodic security drills to provide reasonable assurance of business continuity and information security in the event of disruptions at critical facilities. Our new data center, new local disaster recovery center and new core banking system have been put into use synchronously. With a gross floor area of about 5,400 square meters, the new data center is constructed in strict accordance with the standards of class-A machine room of the state, with partial kernel module reaching T4, the highest international standard (TIA-942). The new local disaster recovery center adopts an active-active architecture. With these two centres supporting business operation simultaneously, we have made important application systems both active locally, which has greatly improved our business continuity.

We have also implemented safeguards to maintain the confidentiality, integrity and availability of information. These safeguards include firewalls, anti-virus measures, data encryption, user authentication and authorization, desktop security, intrusion prevention and detection, filing and evaluation of the classified protection of important information systems, key information infrastructure protection and information system security assessment. During the Track Record Period, we did not suffer any material IT system failures.

5. RISK MANAGEMENT

(a) Risk management of the Bank

We are primarily exposed to credit risk, liquidity risk, market risk and operational risk in our business. We are also exposed to other risks such as reputational risk, information technology risk, money-laundering risk and legal and compliance risk.

Since our inception, we have implemented comprehensive risk management strategies to enhance our risk management systems.

(i) Credit risk management

Credit risk is the risk of loss due to (i) failure by a debtor or counterparty to meet its contractual obligations or (ii) a decrease in credit ratings or repayment ability. Our credit risks arise mainly from loans, investments, guarantees, commitments and other on- or off-balance-sheet credit risks exposures.

We determine the direction and amount of credit extended each year based on national and regional economic development plans, market conditions and macroeconomic control measures. We also consider our asset and liability structure and trends in deposit and loan growth. We formulate annual credit policy guidelines to provide detailed guidance for extending credit to different industries, customer types and geographic regions.

In accordance with these guidelines, extension of credit in areas more susceptible to changes in macroeconomic conditions and regulatory policies (such as local government financing platforms, as well as borrowers in the real estate sector or industries involving high-pollution, high-power consumption and over-capacity) must comply with all regulatory requirements. We also encourage the extension of credit to emerging sectors, such as modern services, new urbanization construction and Internet commerce, in accordance with national policy directives. In addition, we may issue notices of adjustments to credit policy guidelines in a timely manner in response to changes in government policies, the economic environment and our risk preferences.

Chapter 4

Management Discussion and Analysis

We categorize the industries in which a loan applicant operates into the following four categories and adopt a different credit policy for each industry category.

Industries	Credit Policies
Modern agriculture, tourism, education and health care industries (“active support” industries)	<ul style="list-style-type: none"> • prioritize credit allocation and increase credit exposure to borrowers in these industries.
IT, utility, warehouse and logistics, culture-related and pharmaceutical industries (“moderate support” industries)	<ul style="list-style-type: none"> • selectively distribute credit to borrowers in these industries.
Real estate, construction, metal ores mining, iron and steel, and wholesale and retail industries (“caution” industries)	<ul style="list-style-type: none"> • focus on preventing risks by granting loans to high-quality customers and adjusting the proportion of loans to borrowers in these industries.
Steel trading, coal trading, over-capacity and bulk commodity trading industries (“exit” industries)	<ul style="list-style-type: none"> • focus on minimizing risks by moderately reducing the amount of new loans to borrowers in these industries by no less than 20%, and enhancing the implementation of post-disbursement management measures.

We have also adopted detailed credit policies for small and micro enterprise loans and retail loans based on the type of product, customer group and investment field. We generally update these policies on an annual basis.

(ii) Market risk management

Market risk is the risk of loss in on-balance sheet and off-balance sheet positions arising from fluctuations in market prices. We are exposed to market risks primarily through our banking book and trading book.

(A) Interest rate risk management

Interest rate risk is the exposure of our financial condition to adverse movements in interest rates. Our primary source of interest rate risk is the repricing of on- and off-balance sheet assets and liabilities due to mismatches in maturities.

Maturity or repricing date mismatches may cause changes in net interest income due to fluctuations in prevailing interest rates. We are exposed to interest rate risk through our day-to-day lending and deposit-taking activities and our financial market operations.

We place great emphasis on analyzing the general economic situation and policies, particularly the changes in currency policies. We formulate and adjust interest rates based on studies and forecasts of interest rate trends in financial markets, in order to better control interest rate risks and reduce losses arising from interest rate fluctuations.

We manage the interest rate risk exposure of our RMB-denominated assets and liabilities on our balance sheet primarily by adjusting interest rates and optimizing the maturity profile of our assets and liabilities. We seek to reduce maturity mismatches by adjusting repricing frequency and establishing a pricing structure for corporate deposits.

We use various measures to evaluate interest rate risks arising from our banking book, including but not limited to techniques and measures such as duration analysis, sensitivity analysis, scenario analysis and stress tests, to measure our interest rate risk. For example, we regularly conduct sensitivity analysis and duration analysis on our bond business under different circumstances, to measure the potential effects on our profitability. Under unfavorable external conditions, we will also conduct special stress tests analyses on the interest rate benchmark on loans and deposits. Based on such analyses, we may adjust their terms on repricing to control our interest rate risk.

Chapter 4

Management Discussion and Analysis

The table below sets forth the results of the Bank's gap analysis based on the earlier of (i) the expected next repricing dates; and (ii) the final maturity dates for its assets and liabilities as of June 30, 2018.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018					
	Total	Non- interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	32,682.6	545.9	32,136.7	—	—	—
Deposits with banks	20,956.0	—	19,294.4	1,661.6	—	—
Financial assets held under resale agreements	17,957.1	—	17,957.1	—	—	—
Interests receivable	1,496.8	1,496.8	—	—	—	—
Loans and advances to customers	145,052.8	1,688.1	24,683.8	65,822.0	39,132.5	13,726.4
Investments	89,680.8	—	32,328.1	16,424.6	36,732.9	4,195.2
Others ⁽¹⁾	5,347.0	5,347.0	—	—	—	—
Total assets	313,173.1	9,077.8	126,400.1	83,908.2	75,865.4	17,921.6
Liabilities						
Borrowings from the central bank	9,626.9	—	3,512.5	6,114.4	—	—
Deposits from banks and other financial institutions	33,209.0	—	8,910.1	22,598.9	1,700.0	—
Placements from banks	4,078.0	—	500.0	3,420.0	158.0	—
Financial assets sold under repurchase agreements	1,923.4	—	1,923.4	—	—	—
Deposits from customers	198,248.7	—	93,644.3	14,413.9	35,197.8	54,992.7
Interests payable	5,286.7	5,286.7	—	—	—	—
Debt securities issued	34,746.3	—	10,092.0	15,465.9	5,995.3	3,193.1
Others ⁽²⁾	2,237.3	2,237.3	—	—	—	—
Total liabilities	289,356.3	7,524.0	118,582.3	62,013.1	43,051.1	58,185.8
Asset-liability gap	23,816.8	1,553.8	7,817.8	21,895.1	32,814.3	(40,264.2)

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2017					
	Total	Non- interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	29,084.4	492.4	28,592.0	—	—	—
Deposits with banks	30,811.7	—	12,409.9	18,401.8	—	—
Financial assets held under resale agreements	9,819.9	—	9,819.9	—	—	—
Interests receivable	1,268.6	1,268.6	—	—	—	—
Loans and advances to customers	125,254.6	2,000.9	55,350.9	52,337.0	13,952.7	1,613.1
Investments	70,105.5	—	14,885.2	18,661.5	32,251.2	4,307.6
Others ⁽¹⁾	4,802.9	4,802.9	—	—	—	—
Total assets	271,147.6	8,564.8	121,057.9	89,400.3	46,203.9	5,920.7
Liabilities						
Borrowings from the central bank	5,290.4	—	1,787.3	3,503.1	—	—
Deposits from banks and other financial institutions	20,178.4	—	8,236.5	11,341.9	600.0	—
Placements from banks	1,050.0	—	1,000.0	—	50.0	—
Financial assets sold under repurchase agreements	5,817.5	—	5,817.5	—	—	—
Deposits from customers	192,230.6	—	106,737.8	29,377.2	56,115.6	—
Interests payable	4,305.5	4,305.5	—	—	—	—
Debt securities issued	23,960.8	—	4,991.6	11,281.2	6,696.2	991.8
Others ⁽²⁾	1,701.4	1,701.4	—	—	—	—
Total liabilities	254,534.6	6,006.9	128,570.7	55,503.4	63,461.8	991.8
Asset-liability gap	16,613.0	2,557.9	(7,512.8)	33,896.9	(17,257.9)	4,928.9

Notes:

(1) Primarily include property and equipment, goodwill and deferred tax assets.

(2) Primarily include accrued staff costs and taxes payable.

Chapter 4

Management Discussion and Analysis

We use sensitivity analysis to measure the impact of changes in interest rates on our net profit or loss and equity. The table below sets forth the results of our interest rates sensitivity analysis based on our assets and liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Change in net profit	Changes in equity	Change in net profit	Changes in equity
Increase by 100 basis points	115.0	201.2	174.7	371.6
Decrease by 100 basis points	(115.0)	(201.2)	(174.7)	(371.6)

The sensitivity analysis above is based on a static interest rate risk profile of the assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by the repricing of assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of each Track Record Period apply to our non-derivative financial instruments;
- At the end of each Track Record Period, an interest rate movement of 100 basis points is based on the assumption of interest rate movements over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

(B) Exchange rate risk management

We are exposed to exchange rate risks primarily derived from mismatches in the currency denominations of on- and off-balance sheet assets and liabilities and in the trading positions of foreign exchange transactions. We manage exchange rate risks by matching the sources and uses of funds.

We seek to keep the adverse impact of exchange rate fluctuations within an acceptable range by managing risk exposure limits and the currency structure of our assets and liabilities. In addition, we endeavor to limit transactions involving high exchange rate risks, monitor major indicators, and inspect the positions of major foreign currencies on a daily basis.

(iii) Operational risk management

Operational risk refers to the risk of loss caused by incomplete internal control procedures, failures of employees and IT systems or external events. Operational risk events include internal and external fraud, safety accidents in the workplace, damage to tangible assets, failures of risk, implementation, settlement and procedure management relating to customers, products and operations, as well as errors or malfunctions in IT systems.

Our Board of Directors is ultimately responsible for monitoring the effectiveness of our operational risk management. It determines our operational risk appetite based on our overall business strategies, and reviews and oversees the implementation of operational risk management strategies and policies.

Our senior management is responsible for coordinating operational risk management through its risk management and internal control committee.

Our risk and credit management department formulates operational risk management procedures for identifying, evaluating, monitoring and controlling operational risks under the supervision of our Board and senior management. Our audit department supervises and evaluates the management of operational risks and is responsible for independently examining and evaluating the appropriateness, effectiveness and efficiency of operational risk management policies, systems and procedures.

We have established a GRC system for managing internal control and operational risks. Through the system, we utilize operational risk management tools to identify, measure and monitor operational risks. The system also includes an operational risk alert module, enabling us to analyze alerts of risk events on a T+1 basis.



Chapter 4

Management Discussion and Analysis

(iv) Liquidity risk

(A) Liquidity risk management

Liquidity risk refers to the risk of failing to liquidate a position in a timely manner or failing to acquire sufficient funds at a reasonable cost to fulfill payment obligations. Factors affecting our liquidity include the term structure of our assets and liabilities and changes to financial market policies, such as changes in the requirements relating to our statutory deposit reserve ratio. We are exposed to liquidity risk primarily in our lending, trading and investment activities, as well as in the management of our cash flow positions.

The organizational framework of our liquidity risk management focuses on formulating, implementing and supervising the separation of duties in relation to liquidity risk management policies and procedures. As the ultimate decision-making institution for our liquidity risk management, the Board of Directors assumes ultimate responsibility for our liquidity risk management.

Senior management is responsible for liquidity management, and our assets and liabilities management committee is responsible for implementing liquidity management policies and procedures. Our supervisory committee is responsible for supervising and evaluating the implementation of liquidity risk management by the Board of Directors and senior management. The financial planning department is responsible for our daily liquidity risk management.

The objective of our liquidity risk management is, by establishing timely, reasonable and effective liquidity risk management mechanisms, to identify, measure, monitor and control liquidity risks, meet the liquidity needs of our assets, liabilities and off-balance businesses on a timely basis, and control liquidity risks at an acceptable level to maintain sustained and healthy operations.

According to the Measures for the Management of Liquidity Risks of Commercial Banks (Provisional) (effective as from October 1, 2015) issued by the CBIRC, we continually improve liquidity risk management, strictly implement regulatory rules, closely monitor liquidity indicators, enhance maturity management of our cash flows, formulate emergency plans and enhance liquidity risk management and stress tests.

We manage liquidity risks with instruments such as position provisioning and monitoring, cash flow analysis, liquidity stress tests, liquidity risk limits and liquidity risk indicators.

(B) Liquidity risk analysis

We fund our loan and investment portfolios principally through customer deposits. Deposits from customers have been, and we believe will continue to be, a stable source of funding. Customer deposits with remaining maturities of less than one year represented 54.5% and 70.8% of total deposits from customers as of June 30, 2018 and December 31, 2017, respectively.

The table below sets forth the remaining maturity of the Bank's assets and liabilities as of June 30, 2018.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018						Total
	Indefinite	Payable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	
Assets							
Cash and deposits with the central bank	25,106.0	7,576.6	—	—	—	—	32,682.6
Deposits with banks	—	5,506.7	13,787.7	1,661.6	—	—	20,956.0
Financial assets held under resale agreements	—	—	17,957.1	—	—	—	17,957.1
Financial assets at fair value through profit or loss	—	—	20,563.8	2,629.9	6,629.8	1,005.5	30,829.0
Interests receivables	—	—	606.2	737.9	152.7	—	1,496.8
Loans and advances to customers	4,712.6	439.1	18,382.8	65,918.1	40,692.2	14,908.0	145,052.8
Financial assets at fair value through other comprehensive income	—	—	1,324.4	42.1	3,791.1	2,064.1	7,221.7
Financial assets at amortized cost	—	—	10,439.9	13,752.6	26,312.0	1,125.6	51,630.1
Others ⁽¹⁾	4,977.8	—	—	—	369.2	—	5,347.0
Total assets	34,796.4	13,522.4	83,061.9	84,742.2	77,947.0	19,103.2	313,173.1

Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018						Total
	Indefinite	Payable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	
Liabilities							
Borrowings from the central bank	—	—	3,512.5	6,114.4	—	—	9,626.9
Deposits from banks and other financial institutions	—	990.1	7,920.0	22,598.9	1,700.0	—	33,209.0
Placements from banks	—	—	500.0	3,420.0	158.0	—	4,078.0
Financial assets sold under repurchase agreements	—	—	1,923.4	—	—	—	1,923.4
Deposits from customers	—	88,959.9	4,684.3	14,413.9	35,197.8	54,992.8	198,248.7
Interests payable	—	4,474.7	278.2	505.1	28.7	—	5,286.7
Debt securities issued	—	—	25,557.9	5,995.3	3,193.1	—	34,746.3
Others ⁽²⁾	—	1,334.4	864.3	37.8	0.2	0.6	2,237.3
Total liabilities	—	95,759.1	45,240.6	53,085.4	40,277.8	54,993.4	289,356.3
Net position	34,796.4	(82,236.7)	37,821.3	31,656.8	37,669.2	(35,890.2)	23,816.8

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2017						Total
	Indefinite	Payable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	
Assets							
Cash and deposits							
with the central bank	25,070.1	4,014.3	—	—	—	—	29,084.4
Deposits with banks	—	3,121.8	9,288.1	18,401.8	—	—	30,811.7
Financial assets							
held under resale agreements	—	—	9,819.9	—	—	—	9,819.9
Financial assets at fair value through profit or loss	—	—	249.6	—	—	—	249.6
Interests receivables	—	—	621.6	579.5	67.5	—	1,268.6
Loans and advances							
to customers	1,630.7	370.3	18,326.8	61,298.1	33,056.3	10,572.5	125,254.7
Available-for-sale financial assets	—	—	1,811.4	5,255.3	4,255.0	1,735.5	13,057.2
Held-to-maturity investments	—	—	85.2	598.0	7,264.9	668.0	8,616.1
Debt securities classified as receivables	—	—	12,739.0	12,808.1	20,731.3	1,904.2	48,182.6
Others ⁽¹⁾	3,535.9	—	—	—	1,266.9	—	4,802.8
Total assets	30,236.7	7,506.4	52,941.6	98,940.8	66,641.9	14,880.2	271,147.6

Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2017							Total
	Indefinite	Payable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years		
Liabilities								
Borrowings from the central bank	—	—	1,787.3	3,503.1	—	—	5,290.4	
Deposits from banks and other financial institutions	—	531.5	7,705.0	11,341.9	600.0	—	20,178.4	
Placements from banks	—	—	1,000.0	—	50.0	—	1,050.0	
Financial assets sold under repurchase agreements	—	—	5,817.5	—	—	—	5,817.5	
Deposits from customers	—	92,713.8	14,024.0	29,377.2	56,115.6	—	192,230.6	
Interests payable	—	3,684.2	167.8	312.4	141.1	—	4,305.5	
Debt securities issued	—	—	4,991.6	11,281.1	6,696.2	991.9	23,960.8	
Others ⁽²⁾	—	623.7	1,077.7	—	—	—	1,701.4	
Total liabilities	—	97,553.2	36,570.9	55,815.7	63,602.9	991.9	254,534.6	
Net position	30,236.7	(90,046.8)	16,370.7	43,125.1	3,039.0	13,888.3	16,613.0	

Notes:

(1) Primarily include property and equipment, goodwill and deferred tax assets.

(2) Primarily include accrued staff costs and taxes payable.

The Bank's liquidity coverage ratio

	June 30, 2018	December 31, 2017
Liquidity coverage ratio (%)	174.70	159.47

(v) Reputation risk management

Reputational risk represents the risk of negative publicity caused by our operations, management or other activities or external events. The general office of our head office is primarily responsible for reputational risk management, and the Board bears the ultimate responsibility for reputational risk management.

(vi) Legal compliance risk management

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, financial losses and reputational harm resulting from the failure to comply with laws and regulations. We have a three-tier legal and compliance risk management structure at our head office, branches and sub-branches.

(vii) IT risk management

IT risk refers to operational, reputational, legal and other risks arising from information technology due to natural factors, human factors, technical constraints, management defects and other factors. Our IT risk management aims to identify, measure, monitor and control IT risks through the development of effective systems.

Our IT management committee supervises and guides our IT activities. Our risk and credit management department formulates IT risk management procedures under the supervision of the Board and senior management. Our audit department audits IT risks. Our IT department and relevant business departments are responsible for the implementation of specific risk management measures, plans and proposals.

(viii) Anti-money laundering management

We have formulated comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and the regulations of the PBoC.

Our Board of Directors oversees our bank-wide implementation of anti-money laundering policies, supervises senior management with respect to the formulation and implementation of anti-money laundering rules and procedures, reviews reports from senior management on any major anti-money laundering matters and our overall money-laundering risk profile, and adjusts our anti-money laundering policies on a timely basis.

We have established anti-money laundering steering groups at our head office, branches and sub-branches.

(ix) Internal audits

We believe internal audits are essential to our stable operations and achievement of business objectives. We conduct internal audits to monitor the compliance with laws and regulations and the implementation of our internal policies and procedures, with the objective of controlling risks at an acceptable level.

We also aim to conduct effective risk management as well as optimize internal control compliance and our corporate governance structure, in an effort to improve our operations. We adhere to the principles of independence, importance, prudence, objectiveness and relevance for internal audits.

We have adopted an independent and vertical internal audit management system, consisting of the audit committee of our Board of Directors, the audit committee of our Board of Supervisors and the audit department of our head office.

6 ANALYSIS ON CAPITAL ADEQUACY RATIO

We are required to comply with the CBIRC's capital adequacy ratio requirements. Since January 1, 2015, we have calculated and disclosed capital adequacy ratios in accordance with the Capital Administrative Measures, which required China's commercial banks (except systematically important banks) to maintain (i) minimum capital adequacy ratios of 8.9%, 9.3%, 9.7%, 10.1% and 13.5%, (ii) minimum tier-one capital adequacy ratios of 6.9%, 7.3%, 7.7%, 8.7% and 10.9%, and (iii) minimum core tier-one capital adequacy ratios of 5.9%, 6.3%, 6.7%, 7.1% and 10.9%, as of June 30, 2014, 2015, 2016, 2017 and 2018, respectively.

The table below sets forth certain information relating to our capital adequacy ratio as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	June 30, 2018	December 31, 2017
Core capital		
Paid-up capital	10,069.8	7,526.0
Qualifying portion of capital reserve	4,657.8	1,767.7
Defined benefit plan reserve	(1.7)	(0.7)
Investment revaluation reserve	55.9	(125.3)
Surplus reserve	1,166.9	893.0
General risk reserve	3,631.7	3,631.6
Retained earnings	4,208.5	2,889.0
Qualifying portion of non-controlling interest	17.6	17.4
Core tier-one capital deductions ⁽¹⁾	(117.1)	(32.5)
Net core tier-one capital	23,689.4	16,566.2
Other tier-one capital ⁽²⁾	2.4	2.3
Net tier-one capital	23,691.8	16,568.5
Tier-two capital		
Instruments issued and share premium	3,193.1	3,191.9
Surplus reserve for loan impairment	2,461.8	2,187.1
Eligible portion of non-controlling interest	4.7	4.6
Net capital base	29,351.4	21,952.1
Total risk-weighted assets	216,643.5	190,251.6
Core tier-one capital adequacy ratio	10.93%	8.71%
Tier-one capital adequacy ratio	10.93%	8.71%
Capital adequacy ratio	13.55%	11.54%

Notes:

(1) Primarily include other intangible assets excluding land use rights, goodwill and deferred tax recognized as tax losses.

(2) Primarily includes tier-one capital instruments such as preference shares and their premiums.

Chapter 5

Changes in Share Capital and Particulars of Shareholders

I. Changes in Share Capital of the Bank

(I) Share Capital

The H Shares of the Bank were listed on the Hong Kong Stock Exchange on January 18, 2018. The offer price was determined at HK\$2.69 per offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%). The global offering of the Bank comprised 2,212,000,000 H Shares. Four cornerstone investors subscribed for 1,163,152,000 H Shares in total issued by the Bank. The net proceeds from global offering received by the Bank, after deducting the underwriting fees, commissions, and other expenses borne by us in relation to the global offering and assuming the over-allotment option was not exercised, are approximately HK\$5,743.18 million.

On February 5, 2018, the Joint Representatives (as defined in the prospectus of Global Offering of the Bank's H Shares) (on behalf of the international underwriters) fully exercised the over-allotment option in respect of an aggregate of 331,800,000 H Shares, representing in aggregate 15% of the offer shares initially offered under the global offering before any exercise of the over-allotment option, to cover over-allocations in the international offering. The over-allotment shares were issued and allotted at HK\$2.69 per H Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%). Listing of and dealing in the over-allotment shares were commenced on the Main Board of the Hong Kong Stock Exchange on February 8, 2018. The additional net proceeds from the issue of the over-allotment shares by the Bank, after deduction of underwriting commissions, brokerage, transaction levy and trading fee, was approximately HK\$872.84 million.

The Bank has used the net proceeds raised from the global offering to strengthen its capital base to support the on-going growth of its business in accordance with the use of proceeds as disclosed in the prospectus.

(II) Changes in Share Capital

As of December 31, 2017, the share capital of the Bank comprises 7,525,991,330 Domestic Shares. Immediately following the completion of the Bank's global offering and the full exercise of the over-allotment option, the share capital of the Bank was as follows:

Description of Shares	Number of Shares	Approximate Percentage of Issued Share Capital
Domestic Shares	7,525,991,330	74.74%
H Shares issued pursuant to the Global Offering	2,543,800,000	25.26%
Total	10,069,791,330	100.00%

As of June 30, 2018 and the date of this interim report, the share capital of the Bank is as follows:

Description of Shares	Number of Shares	Approximate Percentage of Issued Share Capital
Domestic Shares	7,525,991,330	74.74%
H Shares	2,543,800,000	25.26%
Total	10,069,791,330	100.00%

II. Particulars of Shareholders

(I) Particulars of Shareholdings of the Top Ten Shareholders of the Domestic Shares of the Bank

As of June 30, 2018, Top Ten Shareholders of the Domestic Shares of the Bank are set out as follows:

No.	Name of Shareholder	The Number of Shares Held ⁽¹⁾	Approximate Percentage of the Bank's Total Issued Share Capital (%)
1	Gansu Highway Aviation Tourism	1,157,154,433	11.49
2	Baoshang Bank	845,296,403	8.39
3	Jinchuan Group	633,972,303	6.30
4	Gansu Electric Power Investment	633,972,303	6.30
5	Jiuquan Iron & Steel	633,972,303	6.30
6	Gansu State-owned Assets Investment	359,250,972	3.57
7	Yong Xin Hua Holdings Co., Ltd.	239,326,800	2.38
8	Jingyuan Coal Industry Group Limited	239,326,800	2.38
9	Readers Publishing Group Limited	211,324,101	2.10
10	Ningxia Tianyuan Manganese Limited Company (寧夏天元錳業有限公司)	201,083,333	2.00
	Hebei Jingye Group Co., Ltd. (河北敬業集團有限責任公司)	201,083,333	2.00

Note:

(1) The shareholding in this table refers to the number of Domestic Shares directly held in the Bank.

(II) Interests and Short Positions of Substantial Shareholders and Other Persons

To the best knowledge of the Bank, as of June 30, 2018, the following persons (other than the Bank's Directors, Supervisors and chief executive) had or be deemed or taken to have interests and/or short positions in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Bank pursuant to section 336 of Part XV of the SFO and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, were interested in 5% or more of the nominal value of any class of the Bank's share capital carrying rights to vote in all circumstances at the shareholders' general meetings of any other member of the Bank:

Changes in Share Capital and Particulars of Shareholders

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares Directly or Indirectly Held ⁽²⁴⁾	Approximate Percentage of the Bank's Total Issued Share Capital (%)	Approximate Percentage of the Bank's Relevant Class of Shares (%)
Gansu State-owned Assets Investment	Beneficial owner	Domestic Shares	359,250,972(L)	3.57	4.77
	Interest in controlled corporations ⁽¹⁾	Domestic Shares	1,267,944,606(L)	12.59	16.85
Gansu Highway Aviation Tourism	Beneficial owner	Domestic Shares	1,157,154,433(L)	11.49	15.38
Baoshang Bank	Beneficial owner	Domestic Shares	845,296,403(L)	8.39	11.23
Jiuquan Iron & Steel	Beneficial owner	Domestic Shares	633,972,303(L)	6.30	8.42
Gansu Electric Power Investment	Beneficial owner	Domestic Shares	633,972,303(L)	6.30	8.42
Jinchuan Group	Beneficial owner	Domestic Shares	633,972,303(L)	6.30	8.42
Huajun Credit Services Limited	Beneficial owner ⁽²⁾	H Shares	436,182,000(L)	4.33	17.15
Huajun Finance Group Limited	Interest in controlled corporations ⁽²⁾	H Shares	436,182,000(L)	4.33	17.15
Huajun International Group Limited	Interest in controlled corporations ⁽²⁾	H Shares	436,182,000(L)	4.33	17.15
China Huajun Group Limited	Interest in controlled corporations ⁽²⁾	H Shares	436,182,000(L)	4.33	17.15
Huajun Real Estate (Gaoyou) Co., Ltd.	Interest in controlled corporations ⁽²⁾	H Shares	436,182,000(L)	4.33	17.15
Huajun Enterprise (Yingkou) Co., Ltd.	Interest in controlled corporations ⁽²⁾	H Shares	436,182,000(L)	4.33	17.15
Meng Guang Bao	Interest in controlled corporations ⁽²⁾	H Shares	436,182,000(L)	4.33	17.15
Hong Kong Dasheng Investment Holdings Limited	Beneficial owner	H Shares	436,182,000(L)	4.33	17.15
Shenzhen Dasheng Agricultural Group Co., Ltd.	Interest in controlled corporations ⁽³⁾	H Shares	436,182,000(L)	4.33	17.15

Chapter 5

Changes in Share Capital and Particulars of Shareholders

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares Directly or Indirectly Held ⁽²⁴⁾	Approximate Percentage of the Bank's Total Issued Share Capital (%)	Approximate Percentage of the Bank's Relevant Class of Shares (%)
Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd.	Interest in controlled corporations ⁽⁴⁾	H Shares	436,182,000(L)	4.33	17.15
Lan Huasheng	Interest in controlled corporations ⁽⁵⁾	H Shares	436,182,000(L)	4.33	17.15
Huaxun International Group Limited	Beneficial owner	H Shares	290,788,000(L)	2.89	11.43
Huaxun Fangzhou Technology Co., Ltd.	Interest in controlled corporation ⁽⁶⁾	H Shares	290,788,000(L)	2.89	11.43
Wu Guangsheng	Interest in controlled corporations ⁽⁷⁾	H Shares	290,788,000(L)	2.89	11.43
China Create Capital Limited	Beneficial owner	H Shares	290,788,000(L)	2.89	11.43
Zhang Wei	Interest in controlled corporation ⁽⁸⁾	H Shares	290,788,000(L)	2.89	11.43
Huarong Rongde (Hong Kong) Investment Management Company Limited	Beneficial owner	H Shares	145,394,000(L)	1.44	5.72
Huarong Rongde Asset Management Company Limited	Interest in controlled corporation ⁽⁹⁾	H Shares	145,394,000(L)	1.44	5.72
China Huarong Asset Management Co., Ltd.	Interest in controlled corporations ⁽¹⁰⁾	H Shares	145,394,000(L)	1.44	5.72
Cathay Capital Company (No. 2) Limited	Interest in controlled corporations ⁽¹¹⁾	H Shares	145,394,000(L)	1.44	5.72
Deutsche Bank Aktiengesellschaft	Interest in controlled corporations ⁽¹²⁾	H Shares	145,394,000(L)	1.44	5.72
BOC-LION RAINBOW NO. 14 FUND	Trustee ⁽¹³⁾	H Shares	282,064,000(L)	2.80	11.09
Citigroup Global Markets Hong Kong Limited	Beneficial owner ⁽¹⁴⁾	H Shares	203,551,000(L)	2.02(L)	8.00(L)
			203,551,000(S)	2.02(S)	8.00(S)
Citigroup Financial Products Inc.	Interest in controlled corporation ⁽¹⁵⁾	H Shares	203,551,000(L)	2.02(L)	8.00(L)
			203,551,000(S)	2.02(S)	8.00(S)
Citigroup Global Markets Holdings Inc.	Interest in controlled corporations ⁽¹⁶⁾	H Shares	203,551,000(L)	2.02(L)	8.00(L)
			203,551,000(S)	2.02(S)	8.00(S)

Changes in Share Capital and Particulars of Shareholders

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares Directly or Indirectly Held ⁽²⁴⁾	Approximate Percentage of the Bank's Total Issued Share Capital (%)	Approximate Percentage of the Bank's Relevant Class of Shares (%)
Citigroup Inc.	Interest in controlled corporations ⁽¹⁷⁾	H Shares	203,551,000(L) 203,551,000(S)	2.02(L) 2.02(S)	8.00(L) 8.00(S)
Anar Real Estate Group Co., Ltd. (石榴置業集團股份有限公司)	Founder of a discretionary trust, who can affect the trustee how to exercise discretionary trust ⁽¹⁸⁾	H Shares	282,064,000(L)	2.80	11.09
Beijing Kadapu Investment Co., Ltd. (北京卡達普投資有限公司)	Interest in controlled corporations ⁽¹⁹⁾	H Shares	282,064,000(L)	2.80	11.09
Beijing Annatuoliya Investment Co., Ltd. (北京安納托利亞投資有限公司)	Interest in controlled corporations ⁽²⁰⁾	H Shares	282,064,000(L)	2.80	11.09
Cui Wei	Interest in controlled corporations ⁽²¹⁾	H Shares	282,064,000(L)	2.80	11.09
Sang Chunhua	Interest in controlled corporations ⁽²²⁾	H Shares	282,064,000(L)	2.80	11.09
China Foreign Economy and Trade Trust Co., Ltd. (中國對外經濟貿易信託有限公司)	Trustee ⁽²³⁾	H Shares	360,577,000(L)	3.58	14.17
Chang'an International Trust Co., Ltd. (長安國際信託股份有限公司)	Trustee ⁽²⁴⁾	H Shares	282,064,000(L)	2.80	11.09

Notes:

- (1) Gansu State-owned Assets Investment directly held 359,250,972 Domestic Shares, representing approximately 3.57% of the total issued Shares. Gansu SASAC and Jiuquan Iron & Steel hold 83.54% and 16.46% equity interest in Gansu State-owned Assets Investment, respectively, while Gansu State-owned Assets Investment in turn holds 31.91% equity interest in Jiuquan Iron & Steel. Gansu State-owned Assets Investment also holds 100% of the equity interest in Gansu Electric Power Investment and 48.67% of the equity interest in Jinchuan Group. Therefore, Gansu Electric Power Investment and Jinchuan Group are controlled corporations of Gansu State-owned Assets Investment. Pursuant to the SFO, Gansu State-owned Assets Investment is deemed to be interested in the Shares held by Gansu Electric Power Investment and Jinchuan Group.

- (2) According to the disclosure of interest forms filed by Huajun Credit Services Limited on July 27, 2018, on April 20, 2018, Huajun Credit Services Limited holds 436,182,000 H Shares of the Bank in its capacity as a person having a security interest in shares. In addition,
- (i) Huajun Credit Services Limited is a wholly-owned subsidiary of Huajun Finance Group Limited. According to the SFO, Huajun Finance Group Limited is deemed to be interested in the Shares held by Huajun Credit Services Limited.
 - (ii) Huajun Finance Group Limited is a wholly-owned subsidiary of Huajun International Group Limited. According to the SFO, Huajun International Group Limited is deemed to be interested in the Shares held by Huajun Finance Group Limited.
 - (iii) China Huajun Group Limited holds 72.86% equity interest in Huajun International Group Limited. According to the SFO, China Huajun Group Limited is deemed to be interested in the Shares held by Huajun International Group Limited.
 - (iv) China Huajun Group Limited is a wholly-owned subsidiary of Huajun Real Estate (Gaoyou) Co., Ltd. According to the SFO, Huajun Real Estate (Gaoyou) Co., Ltd. is deemed to be interested in the Shares held by China Huajun Group Limited.
 - (v) Huajun Real Estate (Gaoyou) Co., Ltd. is a wholly-owned subsidiary of Huajun Enterprise (Yingkou) Co., Ltd. According to the SFO, Huajun Enterprise (Yingkou) Co., Ltd. is deemed to be interested in the Shares held by Huajun Real Estate (Gaoyou) Co., Ltd.
 - (vi) Meng Guang Bao holds 97.00% equity interest in Huajun Enterprise (Yingkou) Co., Ltd. According to the SFO, Meng Guang Bao is deemed to be interested in the Shares held by Huajun Enterprise (Yingkou) Co., Ltd.

According to the disclosure of interest forms filed by Huajun Credit Services Limited on July 27, 2018, on July 24, 2018, Huajun Credit Services Limited no longer held any Shares in its capacity as a person having a security interest in shares. Therefore, on July 24, 2018, Huajun Finance Group Limited, Huajun International Group Limited, China Huajun Group Limited, Huajun Real Estate (Gaoyou) Co., Ltd., Huajun Enterprise (Yingkou) Co., Ltd. and Meng Guang Bao were no longer deemed to be interested in the Shares.

- (3) Hong Kong Dasheng Investment Holdings Limited is a wholly-owned subsidiary of Shenzhen Dasheng Agricultural Group Co., Ltd. According to the SFO, Shenzhen Dasheng Agricultural Group Co., Ltd. is deemed to be interested in the Shares held by Hong Kong Dasheng Investment Holdings Limited.
- (4) Hong Kong Dasheng Investment Holdings Limited is a wholly-owned subsidiary of Shenzhen Dasheng Agricultural Group Co., Ltd. Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd. holds 70.0% of the total share capital in Shenzhen Dasheng Agricultural Group Co., Ltd. According to the SFO, Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd. is deemed to be interested in the Shares held by Hong Kong Dasheng Investment Holdings Limited.
- (5) Hong Kong Dasheng Investment Holdings Limited is a wholly-owned subsidiary of Shenzhen Dasheng Agricultural Group Co., Ltd. Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd. holds 70.0% of the total share capital in Shenzhen Dasheng Agricultural Group Co., Ltd. Mr. Lan Huasheng holds 70.0% of the total share capital in Shenzhen Qianhai Dasheng Equity Investment Fund Co., Ltd. According to the SFO, Mr. Lan Huasheng is deemed to be interested in the Shares held by Hong Kong Dasheng Investment Holdings Limited.
- (6) Huaxun International Group Limited is a wholly-owned subsidiary of Huaxun Fangzhou Technology Co., Ltd. According to the SFO, Huaxun Fangzhou Technology Co., Ltd. is deemed to be interested in the Shares held by Huaxun International Group Limited.
- (7) Huaxun International Group Limited is a wholly-owned subsidiary of Huaxun Fangzhou Technology Co., Ltd. Mr. Wu Guangsheng holds approximately 39.98% of the total share capital in Huaxun Fangzhou Technology Co., Ltd. According to the SFO, Mr. Wu Guangsheng is deemed to be interested in the Shares held by Huaxun International Group Limited.
- (8) Mr. Zhang Wei holds 100% of the total issued share capital in China Create Capital Limited. According to the SFO, Mr. Zhang Wei is deemed to be interested in the Shares held by China Create Capital Limited.
- (9) Huarong Rongde (Hong Kong) Investment Management Company Limited is a wholly-owned subsidiary of Huarong Rongde Asset Management Company Limited. According to the SFO, Huarong Rongde Asset Management Company Limited is deemed to be interested in the Shares held by Huarong Rongde (Hong Kong) Investment Management Company Limited.

Changes in Share Capital and Particulars of Shareholders

- (10) Huarong Rongde (Hong Kong) Investment Management Company Limited is a wholly-owned subsidiary of Huarong Rongde Asset Management Company Limited. China Huarong Asset Management Co., Ltd. holds 59.3% of the registered share capital in Huarong Rongde Asset Management Company Limited. According to the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares held by Huarong Rongde (Hong Kong) Investment Management Company Limited.
- (11) Huarong Rongde (Hong Kong) Investment Management Company Limited is a wholly-owned subsidiary of Huarong Rongde Asset Management Company Limited. Cathay Capital Company (No. 2) Limited holds 40.7% of the registered share capital in Huarong Rongde Asset Management Company Limited. According to the SFO, Cathay Capital Company (No. 2) Limited is deemed to be interested in the Shares held by Huarong Rongde (Hong Kong) Investment Management Company Limited.
- (12) Huarong Rongde (Hong Kong) Investment Management Company Limited is a wholly-owned subsidiary of Huarong Rongde Asset Management Company Limited. Cathay Capital Company (No. 2) Limited holds 40.7% of the registered share capital in Huarong Rongde Asset Management Company Limited, while Deutsche Bank Aktiengesellschaft holds 67.57% equity interest in Cathay Capital Company (No. 2) Limited. According to the SFO, Deutsche Bank Aktiengesellschaft is deemed to be interested in the Shares of the Bank held by Huarong Rongde (Hong Kong) Investment Management Company Limited.
- (13) According to the disclosure of interests form filed by BOC-LION RAINBOW NO. 14 FUND on February 26, 2018, it holds 282,064,000 H Shares of the Bank as a trustee.
- (14) According to the disclosure of interests form filed by Citigroup Inc. on February 13, 2018, Citigroup Global Markets Hong Kong Limited holds 203,551,000 long positions and 203,551,000 short positions in the Shares of the Bank as a beneficial owner.
- (15) Citigroup Global Markets Hong Kong Limited is a wholly-owned subsidiary of Citigroup Financial Products Inc.. According to the SFO, Citigroup Financial Products Inc. is deemed to be interested in the Shares of the Bank held by Citigroup Global Markets Hong Kong Limited.
- (16) Citigroup Global Markets Hong Kong Limited is a wholly-owned subsidiary of Citigroup Financial Products Inc.. Citigroup Financial Products Inc. is a wholly-owned subsidiary of Citigroup Global Markets Holdings Inc.. According to the SFO, Citigroup Global Markets Holdings Inc. is deemed to be interested in the Shares of the Bank held by Citigroup Global Markets Hong Kong Limited.
- (17) Citigroup Global Markets Hong Kong Limited is a wholly-owned subsidiary of Citigroup Financial Products Inc.. Citigroup Financial Products Inc. is a wholly-owned subsidiary of Citigroup Global Markets Holdings Inc.. Citigroup Global Markets Holdings Inc. is a wholly-owned subsidiary of Citigroup Inc.. According to the SFO, Citigroup Inc. is deemed to be interested in the Shares of the Bank held by Citigroup Global Markets Hong Kong Limited.
- (18) According to the disclosure of interests form filed by Anar Real Estate Group Co., Ltd. (石榴置業集團股份有限公司) on January 29, 2018, it holds 282,064,000 H Shares of the Bank as founder of a discretionary trust who can influence the trustee how to exercise its discretion.
- (19) Beijing Kadapu Investment Co., Ltd. (北京卡達普投資有限公司) holds 87.41% equity interest in Anar Real Estate Group Co., Ltd.. According to the SFO, Beijing Kadapu Investment Co., Ltd. is deemed to be interested in the Shares of the Bank held by Anar Real Estate Group Co., Ltd..
- (20) Beijing Kadapu Investment Co., Ltd. holds 87.41% equity interest in Anar Real Estate Group Co., Ltd.. Beijing Kadapu Investment Co., Ltd. is a wholly-owned subsidiary of Beijing Annatuoliya Investment Co., Ltd. (北京安納托利亞投資有限公司). According to the SFO, Beijing Annatuoliya Investment Co., Ltd. is deemed to be interested in the Shares of the Bank held by Anar Real Estate Group Co., Ltd..
- (21) Beijing Kadapu Investment Co., Ltd. holds 87.41% equity interest in Anar Real Estate Group Co., Ltd.. Beijing Kadapu Investment Co., Ltd. is a wholly-owned subsidiary of Beijing Annatuoliya Investment Co., Ltd.. Cui Wei holds 58.0% equity interest in Beijing Annatuoliya Investment Co., Ltd.. According to the SFO, Cui Wei is deemed to be interested in the Shares of the Bank held by Anar Real Estate Group Co., Ltd..
- (22) Beijing Kadapu Investment Co., Ltd. holds 87.41% equity interest in Anar Real Estate Group Co., Ltd.. Beijing Kadapu Investment Co., Ltd. is a wholly-owned subsidiary of Beijing Annatuoliya Investment Co., Ltd.. Sang Chunhua holds 42.0% equity interest in Beijing Annatuoliya Investment Co., Ltd.. According to the SFO, Sang Chunhua is deemed to be interested in the Shares of the Bank held by Anar Real Estate Group Co., Ltd..

Chapter 5

Changes in Share Capital and Particulars of Shareholders

- (23) According to the disclosure of interests form filed by China Foreign Economy and Trade Trust Co., Ltd. on January 31, 2018, it holds 360,577,000 H Shares of the Bank as a trustee, among which, "FOTIC - Wuxingbaichuan No. 26 Special Unitrust of Anar Group" (外資信託 — 五行百川26號石榴集團專項單 — 資金信託) holds 282,064,000 H Shares of the Bank, "FOTIC - Wuxingbaichuan No. 25 Unitrust" (外資信託 — 五行百川25號單 — 資金信託) holds 78,513,000 H Shares of the Bank.
- (24) According to the disclosure of interests form filed by Beijing Annatuoliya Investment Co., Ltd. on January 29, 2018, Chang'an International Trust Co., Ltd. is entitled to control the trust scheme in respect of 282,064,000 H Shares of the Bank formed by China Foreign Economy and Trade Trust Co., Ltd. where it acts as a trustee thereof. According to the SFO, Chang'an International Trust Co., Ltd. is deemed to be interested in the 282,064,000 Shares.
- (25) L denotes long position and S denotes short position.
- (26) Under Part XV of the SFO, disclosure of interest forms shall be submitted by Shareholders upon satisfaction of certain conditions. If there are changes in the Shareholders' shareholdings in the Bank, the Shareholders are not required to inform the Bank and the Hong Kong Stock Exchange, except where certain conditions have been satisfied. Therefore, there could be a difference between the substantial shareholders' latest shareholdings in the Bank and the information on their shareholdings submitted to the Hong Kong Stock Exchange. Information set out in the above table is based on the disclosure of interests forms submitted by the relevant Shareholders.

Save as disclosed above, as of June 30, 2018, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying Shares of the Bank, which were required to be recorded in the register of interests maintained by the Bank pursuant to section 336 of Part XV of the SFO, and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(III) Particulars of Controlling Shareholders and Actual Controller

The Bank does not have a controlling shareholder or actual controller.

Directors, Supervisors, Senior Management, Employees and Organizations

I. Information on Directors, Supervisors and Senior Management Members

As of June 30, 2018, the information of the Directors, Supervisors and senior management members of the Bank is as follows:

Directors

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Mr. Li Xin (李鑫)	60	May 2011	October 15, 2011	Chairman, Executive Director	Presiding over the overall operations of the Bank, and primarily responsible for matters concerning the Board of Directors, human resources, strategic planning, business development and party-related matters
Mr. Lei Tie (雷鐵)	54	October 2011	October 15, 2011	Executive Director, Vice President ⁽²⁾	(1) as acting president of the Bank prior to the formal appointment of the new president, responsible for the overall operation and management of the Bank, implementation of the strategic objectives and overall achievement of the operating objectives of the Bank, and (2) as an executive Director and a vice president of the Bank, responsible for bank-wide accounting operations, information technology infrastructure, support and back-up of technological system; in charge of the accounting and operation department, information technology department and the operating department of the head office of the Bank

Chapter 6

Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Ms. Wu Changhong (吳長虹)	55	November 2016	November 20, 2016	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member
Ms. Zhang Hongxia (張紅霞)	40	October 2011	October 15, 2011	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member
Mr. Li Hui (李輝)	59	October 2011	October 15, 2011	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Mr. Guo Jirong (郭繼榮)	47	November 2016	November 20, 2016	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Mr. Zhang Youda (張有達)	46	November 2016	November 20, 2016	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Mr. Chen Aiguo (陳愛國)	49	November 2016	November 20, 2016	Independent Non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice on strategic development to the Bank based on his extensive experience in business management, and performing his duties as a Director through the Board of Directors, Strategy and Development Committee, Audit Committee, and Nomination and Remuneration Committee
Ms. Tang Xiuli (唐岫立)	50	August 2017	August 12, 2017	Independent Non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing regulatory and compliance-related advice to the Bank based on her extensive experience in banking regulation in the PRC, and performing her duties as a Director through the Board of Directors, Audit Committee and Related Party Transaction and Risk Management Committee

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Ms. Luo Mei (羅玫)	42	August 2017	August 12, 2017	Independent Non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice on finance and accounting to the Bank based on her extensive experience in finance and accounting, and performing her duties as a Director through the Board of Directors, Audit Committee, Nomination and Remuneration Committee and Related Party Transaction and Risk Management Committee
Mr. Wong Sincere (黃誠思)	54	August 2017	August 12, 2017	Independent Non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank in relation to compliance with Hong Kong laws and the Hong Kong Listing Rules based on his extensive experience in legal and compliance work, and performing his duties as a Director through the Board of Directors, Nomination and Remuneration Committee and Related Party Transaction and Risk Management Committee

Notes:

- (1) The date of appointment as a Director stated here represents the date on which the relevant person was elected as a Director by the shareholders' general meeting of the Bank.
- (2) Mr. Liu Qing, a former executive Director and the president of the Bank, resigned from his positions on November 9, 2017 due to job transfer. At a meeting of the Board of Directors held on November 9, 2017, the Board of Directors designated Mr. Lei Tie to assume the roles and responsibilities of the president of the Bank in the interim prior to the formal appointment of the new president of the Bank. The Bank is in the process of selecting the new president.

Supervisors

Name	Age	Date of joining the Bank	Date of appointment as Supervisor ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Mr. Xu Yongfeng (許勇鋒)	54	October 2011	October 15, 2011	Employee Representative Supervisor	Supervising the Board of Directors and the senior management on behalf of the employees of the Bank
Mr. Luo Zhenxia (羅振夏)	54	October 2011	October 15, 2011	Employee Representative Supervisor	Supervising the Board of Directors and the senior management on behalf of the employees of the Bank
Mr. Liu Yongchong (劉永翀)	52	November 2016	November 20, 2016	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. Li Yongjun (李永軍)	49	October 2011	October 15, 2011	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. Liu Xiaoyu (劉曉宇)	46	November 2016	November 20, 2016	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. Yang Zhenjun (楊振軍)	49	August 2017	August 12, 2017	External Supervisor	Supervising the Board of Directors and the senior management
Mr. Dong Ying (董英)	55	August 2017	August 12, 2017	External Supervisor	Supervising the Board of Directors and the senior management
Mr. Luo Yi (羅藝)	37	June 2018	June 1, 2018	External Supervisor	Supervising the Board of Directors and the senior management

Note:

- (1) The date of appointment as a Supervisor stated here represents the date on which the relevant person was elected as a Supervisor by the shareholders' general meetings or the employee representatives' meetings (for employee representative Supervisors only) of the Bank.

Senior Management

Name	Age	Date of joining the Bank	Date of first appointment as senior management	Position held as of the Latest Practical Date	Responsibilities
Mr. Lei Tie (雷鐵)	54	October 2011	October 2011	Executive Director, Vice President ⁽¹⁾	(1) as acting president of the Bank prior to the formal appointment of the new president, responsible for the overall operation and management of the Bank, implementation of strategic objectives and overall achievement of the operating objectives of the Bank, and (2) as an executive Director and a vice president of the Bank, responsible for bank-wide accounting operations, information technology infrastructure, support and back-up of the technological system; in charge of the accounting and operations department, information technology department and the operating department of the head office of the Bank
Mr. Qiu Jinhu (仇金虎)	54	January 2015	January 2015	Vice President	Responsible for the business of loans to small and medium-sized enterprises and individuals, businesses of institution management and security and in charge of the Retail Business Financial Service Center, Institution Management Department and Security Department of the Bank

Name	Age	Date of joining the Bank	Date of first appointment as senior management	Position held as of the Latest Practical Date	Responsibilities
Mr. Wang Chunyun (王春雲)	46	October 2011	October 2016	Senior Executive of Internal Control and Compliance ⁽²⁾	Responsible for comprehensive risk management, legal and compliance and investment banking business of the Bank. In charge of the Risk and Credit Management Department, Investment Banking Department and Legal and Compliance Department of the Bank
Mr. Wang Zhiyuan (王志遠)	49	April 2012	December 2017	Vice President, General Manager of the Human Resources Department, General Manager of the Strategy and Development Department (concurrent)	Responsible for human resources related works of the Bank, to assist the chairman of the Board to manage Human Resources Department (Organization Department of the Party Committee), Strategy and Development Department, and in charge of the institutional party committee and the youth league
Mr. Xu Jianping (許建平)	48	February 2012	July 2017 ⁽³⁾	Vice President, Secretary to the Board of Directors, Director of the Office, Joint Company Secretary	Mainly in charge of the Office of the Board, responsible for the daily work of the Board and in charge of the General Office (Office of the Party Committee), Corporate Business Department and International Business Department

Notes:

- (1) Mr. Liu Qing, a former executive Director and the president of the Bank, resigned from his positions on November 9, 2017 due to job transfer. At a meeting of the Board of Directors held on November 9, 2017, the Board of Directors designated Mr. Lei Tie to assume the roles and responsibilities of the president of the Bank in the interim prior to the formal appointment of the new president of the Bank. The Bank is in the process of selecting the new president.
- (2) At a meeting of the Board of Directors held on May 14, 2018, the Board of Directors agreed to appoint Mr. Wang Chunyun as the Senior Executive of Internal Control and Compliance of the Bank and he was correspondingly released from his previous position of the Chief Risk Officer of the Bank.
- (3) Mr. Xu Jianping was appointed as the secretary to the Board of Directors in July 2017 and a vice president of the Bank in December 2017. The date here refers to the date when Mr. Xu Jianping was appointed as the secretary to the Board of Directors.

II. Changes in Directors, Supervisors and Senior Management Members

1. Changes During the Reporting Period

(I) Changes in Directors

- (1) The Board of Directors received the resignation letter of Mr. Chen Aiguo, an independent non-executive Director of the Bank, on March 27, 2018. Mr. Chen Aiguo has tendered his resignation as an independent non-executive Director, the chairman of the nomination and remuneration committee, a member of strategy and development committee and a member of audit committee of the Board as he intends to focus on other job commitments. Mr. Chen Aiguo confirmed that he has no disagreement with the Board and there are no circumstances related to his resignation which need to be brought to the attention of the Shareholders and creditors of the Bank and the Hong Kong Stock Exchange.

Whereas the resignation of Mr. Chen Aiguo will result in the number of independent non-executive Directors of the Bank falling below the minimum number required by the Articles of Association and the Hong Kong Listing Rules, pursuant to relevant laws and regulations and the Articles of Association, Mr. Chen Aiguo will continue to perform his duties as independent non-executive Director and chairman/member of special committees under the Board of Directors, until the appointment of a new independent non-executive Director is approved at the Bank's general meeting and the qualification of director is approved by the CBIRC. The Bank will complete the procedures of the appointment of a new independent non-executive Director as soon as practicable according to the provisions of relevant laws and regulations and the Articles of Association, and publish the relevant announcements and circular pursuant to the Hong Kong Listing Rules.

(II) Changes in Supervisors

- (1) 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 supervision 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. Mr. Zhu confirmed that he has no disagreement with the Board and the Board of Supervisors and there are no circumstances related to his resignation which need to be brought to the attention of the Shareholders of the Bank, creditors and the Hong Kong Stock Exchange.

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. At the 2017 annual general meeting of the Bank held on June 1, 2018, the Shareholders of the Bank reviewed and approved the proposal to elect Mr. Luo as the Supervisor of the Bank. Mr. Luo officially performed its duties as a Supervisor from the date of being elected as the Supervisor of the Bank upon review and approval by the annual general meeting of the Bank. For the relevant information of Mr. Luo's biography and his appointment, please refer to the announcement and circular of the Bank dated March 27, 2018.

Mr. Zhu's resignation as an external Supervisor of the Bank, and the chairman of the audit committee and a member of the supervision committee under the Board of Supervisors formally took effect on June 1, 2018.

- (2) Mr. Yang Qian tendered his resignation to the Board of Supervisors of the Bank as the chairman of the Board of Supervisors, and a member of the nomination committee under the Board of Supervisors, a member of the supervision committee under the Board of Supervisors, a member of the audit committee under the Board of Supervisors and an employee representative supervisor on April 24, 2018 because he has reached his retirement age. The resignation of Mr. Yang will take effect from April 24, 2018, the date on which the resignation was delivered to the Board of Supervisors.

Mr. Yang has confirmed that he has no disagreement with the Board and the Board of Supervisors and there are no other matters in relation to his resignation that need to be brought to the attention of the Shareholders and creditors of the Bank or The Stock Exchange of Hong Kong Limited. Based on the requirements of the Articles of Association of the Bank, the chairman of the Board of Supervisors shall convene and preside over meetings of the Board of Supervisors. If the chairman of the Board of Supervisors cannot fulfill the duties thereof, more than half of the Supervisors may elect a Supervisor to convene and preside over the meetings of the Board of Supervisors. The Supervisors of the Bank have elected Mr. Xu Yongfeng, a Supervisor of the Bank, to convene and preside over meetings of the Board of Supervisors before the newly appointed chairman of the Board of Supervisors formally assumes his role. The Bank will complete the appointment of the employee representative supervisor and the chairman of the Board of Supervisors as soon as possible according to the relevant laws and the Articles of Association, and disclose the information in accordance with the requirements of the Hong Kong Listing Rules.

The Bank will complete the appointment of the employee representative supervisor and the chairman of the Board of Supervisors as soon as possible according to the relevant laws and the Articles of Association, and disclose the information in accordance with the requirements of the Hong Kong Listing Rules.

(III) Changes in Senior Management Members

No changes happened to senior management members of the Bank during the Reporting Period.

(IV) Information disclosure required under Rule 13.51B(1) of the Hong Kong Listing Rules

Mr. Zhang Youda, a non-executive Director of the Bank, was appointed as deputy general manager of Jinchuan Group by the People's Government of Gansu Province in July, 2018.

Ms. Tang Xiuli, an independent non-executive Director of the Bank, resigned her position as Senior Vice President and Chief Policy Officer of Zibang Jinfu Network Technology Group Co., Ltd. (資邦金服網絡科技集團有限公司) in May 2018.

Save as disclosed above, no information on changes in Directors, Supervisors and senior management has been disclosed in accordance with Rule 13.51B(1) of the Hong Kong Listing Rules for the six months ended June 30, 2018.

2. Changes After the Reporting Period

(I) The Resignation of Mr. Li Hui as the Non-executive Director of the Bank

The Board received the resignation letter submitted by Mr. Li Hui (“Mr. Li”), a non-executive Director of the Bank, on August 31, 2018. Due to work adjustment, he tendered his resignation as a non-executive Director and a member of the strategy and development committee of the Board. Mr. Li’s resignation has come into effect upon the delivery of the resignation letter to the Board. Mr. Li has confirmed that he has no disagreement with the Board and there are no other matters related to his resignation which need to be brought to the attention of the shareholders and creditors of the Bank and the Hong Kong Stock Exchange.

(II) Appointment of Mr. Liu Wanxiang as a Non-executive Director of the Bank

Upon the consideration and approval at the Board meeting held on August 31, 2018, the Board proposed to appoint Mr. Liu Wanxiang (劉萬祥) (“Mr. Liu”) as a non-executive Director of the Bank.

For the biography of Mr. Liu and the information related to his appointment, please refer to the announcement of the Bank dated August 31, 2018.

According to the relevant PRC laws and regulations and the Articles of Association, the appointment of Mr. Liu shall become effective after it is considered and approved at the Bank’s general meeting and his qualification as a director is approved by the CBRC Gansu Office.

(III) Appointment of Mr. Dong Ximiao as an Independent Non-executive Director of the Bank

Upon the consideration and approval at the Board meeting held on August 31, 2018, the Board proposed to appoint Mr. Dong Ximiao (董希淼) (“Mr. Dong”) as an independent non-executive Director of the Bank.

For the biography of Mr. Dong and the information related to his appointment, please refer to the announcement of the Bank dated August 31, 2018.

According to the relevant PRC laws and regulations and the Articles of Association, the appointment of Mr. Dong shall become effective after it is considered and approved at the Bank’s general meeting and his qualification as a director is approved by the CBRC Gansu Office. Mr. Dong has confirmed his independence pursuant to Rule 3.13 of the Hong Kong Listing Rules. The Board is also of the view that Mr. Dong meets the independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules and is independent in accordance with the terms of the guidelines.

(IV) Changes in the Composition of the Members of Each Committee Under the Board

Upon the consideration and approval at the Board meeting held on August 31, 2018, the composition of the members of special committees under the Board was adjusted as follows:

Special Committees	Members
Strategy and Development Committee	Li Xin (chairman), Zhang Hongxia, Liu Wanxiang, Lei Tie, Dong Ximiao
Related Party Transaction and Risk Management Committee	Wong Sincere (chairman), Lei Tie, Zhang Youda, Luo Mei, Tang Xiuli
Nomination and Remuneration Committee	Tang Xiuli (chairman), Li Xin, Lei Tie, Wong Sincere, Luo Mei, Dong Ximiao
Audit Committee	Luo Mei (chairman), Wu Changhong, Guo Jirong, Dong Ximiao, Tang Xiuli, Wong Sincere

Note: The nomination proposal of Mr. Liu Wanxiang and Mr. Dong Ximiao shall be submitted to the Bank's general meeting for consideration and approval, and shall perform their duties from the date of approval of their qualifications of directorship by the CBRC Gansu Office.

III. Joint Company Secretary

- (1) From February 28, 2018, Ms. Hui Yin Shan resigned as the joint company secretary of the Bank, the authorized representative of the Bank (the "Authorized Representative") under section 3.05 of the Hong Kong Listing Rules and the agent of the Bank for accepting service of process or notice in Hong Kong (the "Process Agent") under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

From February 28, 2018, Ms. Ko Nga Kit (高雅潔) served as the joint company secretary, Authorized Representative and Process Agent of the Bank.

- (2) From June 15, 2018, Ms. Ko Nga Kit (高雅潔) resigned as the joint company secretary, Authorized Representative and Process Agent of the Bank.

From June 15, 2018, Ms. Ng Wing Yan (伍穎欣) served as the joint company secretary, Authorized Representative and Process Agent of the Bank.

IV. Remuneration Policies for Directors, Supervisors and Senior Management

The remuneration provided by the Bank for its executive Directors, employee representative Supervisors and senior management who are also the Bank's employees concurrently include salaries, discretionary bonus, social security plans, housing provident fund plans and other benefits. The remuneration provided by the Bank for its non-executive Directors, independent non-executive Directors and other Supervisors are determined by their responsibilities.

The remuneration of the Directors of the Bank is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Nomination and Remuneration Committee under the Board of Directors and submitted to the Board of Directors for approval, and submitted to the shareholders' general meeting for approval after being approved by the Board of Directors.

The remuneration of the Supervisors of the Bank is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Nomination Committee under Board of Supervisors and submitted to the Board of Supervisors for approval, and submitted to the shareholders' general meeting for approval after being approved by the Board of Supervisors.

The Bank's appraisal on the senior management is based on their performance in completing the decisions, strategic targets and plans of the Board of Directors and whether they are actively and effectively protecting the interests of the Bank and the Shareholders, and it is implemented by the Board of Directors.

The incentive and restraint mechanism of the Bank is mainly embodied in the remuneration mechanism for the senior management. The remuneration to the senior management is linked to the appraisal indicators of the Board of Directors, in order to combine the target incentive with responsibility restraint, ensure the alignment of the remuneration payment with the long-term interests of the Bank, and better encourage the senior management to contribute to the steady and sustainable development of the Bank.

According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated on a certain percentage of the remuneration cost and paid to the relevant labor and social welfare authorities. The Group cannot withdraw or utilize its fund contribution made to above defined contribution plans under any circumstances.

V. Securities Transactions of Directors, Supervisors and Senior Management Members

The Bank has adopted in respect of securities transactions by Directors, Supervisors and senior management members, a code of conduct on terms no less exacting than the required standards set out in Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules. Having making specific enquiries to all Directors, Supervisors and members of the senior management of the Bank. The Bank confirmed that they had complied with the Model Code for the period from the Listing Date to August 31, 2018, being the date of the meeting of the Board to consider and approve the Group's interim results for the six months ended June 30, 2018.

VI. Positions held in the Shareholder Company by the Existing Directors, Supervisors and Senior Management

Name	Position held with the Bank	Name of the shareholder company	Position held in the shareholder company
Ms. Wu Changhong	Non-executive Director	Gansu Highway Aviation Tourism	Member of the party committee, deputy general manager and chief financial officer
Ms. Zhang Hongxia	Non-executive Director	Baoshang Bank	Deputy director (presiding over the work) of the office of the board of directors
Mr. Guo Jirong	Non-executive Director	Jiuquan Iron & Steel	Head of the asset operation and management department
Mr. Zhang Youda	Non-executive Director	Jinchuan Group	Member of the party committee, deputy general manager and chief financial officer concurrently

VII. Other Information Required under Rule 13.51(2) of the Hong Kong Listing Rules

Mr. Zhu Xingjie (朱興杰) was the chairman and general manager of Zhangye Electric Power Development Co., Ltd. (張掖市電力開發有限責任公司), a limited liability company incorporated in the PRC on August 3, 1999, mainly engaged in hydroelectric power generation, which was dissolved by way of deregistration on March 10, 2000. Mr. Zhu confirmed that there is no wrongful act on his part leading to the deregistration, which was mainly due to the establishment of Gansu Heihe Hydropower Industrial Investment Co., Ltd. (previously known as Gansu Heihe Hydropower Development Co., Ltd.) to carry out the relevant businesses. Mr. Zhu is not aware of any actual or potential claim that has been or will be made against him as a result of the deregistration. Mr. Zhu also confirmed that his involvement in the above company was part of his services as the chairman and general manager of this company and that no misconduct or misfeasance had been involved in the dissolution of this company, and that the relevant company was solvent at the time of deregistration.

Mr. Wong Sincere (黃誠思) was a director of Excellent View Limited (采風有限公司), which was incorporated in Hong Kong as a private company limited by shares on October 17, 2003 and was dissolved by deregistration on December 22, 2006 pursuant to the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before March 3, 2014. Excellent View Limited provided football related information to users via telephone. Mr. Wong confirmed that the said company was solvent with no outstanding liabilities at the time of its deregistration and as far as he is aware, the dissolution of the said company has not resulted in any liability or obligation to be imposed against him.

VIII. Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures of the Bank and its Associated Corporations

Name	Position in the Bank	Class of Shares	Nature of Interest	Number of Shares ⁽²⁾	Percentage of Domestic Shares of the Bank (%)	Percentage of the Total Share Capital of the Bank (%)
Mr. Li Xin	Chairman, Executive Director	Domestic shares	Beneficial owner	300,000(L)	0.004	0.003
Mr. Lei Tie	Executive Director, Vice President	Domestic shares	Beneficial owner	300,000(L)	0.004	0.003
Mr. Xu Yongfeng	Supervisor	Domestic shares	Beneficial owner	225,514(L)	0.003	0.002
Mr. Luo Zhenxia	Supervisor	Domestic shares	Beneficial owner	205,711(L)	0.003	0.002
Mr. Li Yongjun ⁽¹⁾	Supervisor	Domestic shares	Interest in the controlled corporation ⁽¹⁾	239,326,800(L)	3.180	2.377

Notes:

(1) Mr. Li Yongjun, Supervisor of the Bank, and his spouse collectively hold 2.0% equity interest in Yong Xin Hua Holdings Co., Ltd. (永新華控股有限公司). Gansu Yong Xin Construction and Installation Engineering Company Limited (甘肅永新建築安裝工程有限公司) and Gansu Huanghai Electronic and Mechanical Devices Engineering Company Limited (甘肅黃海電子機電設備工程有限公司) hold 33.0% and 65.0% equity interest in Yong Xin Hua Holdings Co., Ltd., respectively. Mr. Li Yongjun and his spouse collectively hold 100.0% equity interest in Gansu Yong Xin Construction and Installation Engineering Company Limited and Gansu Huanghai Electronic and Mechanical Devices Engineering Company Limited. Yong Xin Hua Holdings Co., Ltd. held 239,326,800 Domestic Shares immediately as at the Latest Practicable Date. Pursuant to the SFO, Mr. Li Yongjun is deemed to be interested in the Shares held by Yong Xin Hua Holdings Co., Ltd.

(2) L represents long position.

Save as disclosed above, none of the Directors, Supervisors and chief executive of the Bank held any interests or short positions in the shares, underlying shares or debentures of the Bank or its associated corporations as of the Latest Practicable Date.

IX. Employee, Employee Compensation Policy and Employee Training Program

(I) Staff Composition

As of June 30, 2018, the Group had 3,966 employees. The table below sets forth its number of full-time employees by function as of the same date:

	Number of employees	Percentage (%)
Corporate banking	540	13.62
Retail banking	355	8.95
Financial market operations	43	1.08
Finance and accounting	209	5.27
Risk management, internal audit and legal and compliance	214	5.40
Information technology	135	3.40
Management	141	3.56
Bank Teller	1,897	47.83
Others	432	10.89
Total	3,966	100.00

The following table sets forth the number of our employees by age as of June 30, 2018.

	Number of employees	Percentage (%)
Under 30 (inclusive)	2,332	58.80
31 to 40 years old	956	24.10
41 to 50 years old	605	15.25
51 years old or above	73	1.85
Total	3,966	100.00

The following table sets forth the number of our employees by education degree as of June 30, 2018.

	Number of employees	Percentage (%)
Master's degree or above	256	6.45
Bachelor's degree	3,259	82.17
Others	451	11.38
Total	3,966	100.00

(II) Employee Remuneration

Our employees participate in employee benefit plans, such as pension insurance, corporate annuity funds, housing provident funds, work related injury insurance, medical insurance, unemployment insurance and maternity insurance.

We conduct performance evaluations of employees on an annual basis to provide feedback based on the evaluations. Remuneration for full-time employees typically consists of a base salary and performance-based compensation.

(III) Employee Training Program

We focus on employee career development and provide training programs for employees in different business lines. We have built a team of internal training providers under our human resources department.

(IV) Labor Union

We have established a labor union in accordance with PRC laws and regulations. We believe that we have maintained a good working relationship with our employees. As of the Latest Practicable Date, we had not experienced any labor strikes or other labor disturbances that materially affected our operations or public image.

X. The Subsidiary of the Bank

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

I. Corporate Governance Code

The Bank believes that maintaining high standards of corporate governance mechanisms and high quality of corporate governance is one of the key factors to improve its core competitiveness and to build a modern city commercial bank. Therefore, the Bank focuses on high quality of corporate governance, abides by the best domestic and international corporate governance practice, to ensure the rights and interests of Shareholders and improve the value of the Bank.

The Bank has established a modern corporate governance structure in line with the requirements of its Articles of Association, PRC laws and regulations and the Hong Kong Listing Rules. The Board of Directors is accountable to the Shareholders as a whole and is responsible for, among others, determining the Group's business development strategies, business plans and investment proposals, appointing or removing senior management, and deciding matters such as establishment of internal management departments. The Board of Directors has established committees to perform specified functions consisting of the strategy and development committee, audit committee, nomination and remuneration committee, related party transaction and risk management committee. The Board of Supervisors is accountable to the Shareholders as a whole and has the responsibility and power to supervise the Directors and senior management and oversee the Group's financial activities, risk management and internal control.

The Bank has incorporated the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Hong Kong Listing Rules and the Guidelines on Corporate Governance issued by the CBIRC into the Bank's governance structure and policies. The Corporate Governance Code and Guidelines on Corporate Governance are well reflected in the Articles of Association and the Terms of Reference of the Shareholders' General Meeting, the Board of Directors and committees under the Board of Directors. The Bank's shareholders' general meeting, the Board of Directors and the Board of Supervisors perform their respective duties, forming good corporate governance structure. The Bank closely monitors its operation to ensure it complies with the relevant requirements under applicable laws, regulations, codes, guidelines and the Bank's internal policies.

The H Shares of the Bank were listed on the Main Board of the Hong Kong Stock Exchange on January 18, 2018. During the period from the Listing Date to the date of this interim report, the Bank has complied with all compulsory code provisions contained in the Corporate Governance Code. The Bank has also strictly complied with the provisions regarding management of inside information required by applicable laws and regulations and the Hong Kong Listing Rules. The Bank will review its corporate governance and strengthen management constantly to ensure compliance with the Corporate Governance Code and the Guidelines on Corporate Governance and meet the higher expectations from its Shareholders and potential investors.

II. Profits and Dividends

(1) 2017 final dividend

At the meeting of the Board of Directors of the Bank convened on March 27, 2018, the Board of Directors advised the Bank not to distribute 2017 final dividend to Shareholders considering that the Bank needed sufficient capital support for future business development. The proposal was considered and approved at the 2017 annual general meeting convened on June 1, 2018.

(2) 2018 interim dividend

The Bank's revenue for the six months ended June 30, 2018 and the Bank's financial position as of the same date are set out in the interim financial statements of this interim report.

The Board of Directors advised the Bank not to distribute 2018 interim dividend and not to convert reserve fund into share capital.

III. Issuance of debt securities

(1) Debt securities issued for the six months ended June 30, 2018

- In May 2018, the Bank issued financial bonds in an aggregate principal amount of RMB1,500.0 million. The bonds have a term of three years and bear an interest rate of 4.87% per annum.
- From January 1, 2018 to June 30, 2018, the Bank issued 165 tranches of zero-coupon interbank certificates in an aggregate face value of RMB22,950.0 million. These interbank certificates have terms of 1 month to 1 year and bear effective interest rates between 4.40% and 5.35%.

(2) Issuance of financial bonds

At the meeting of the Board of Directors of the Bank convened on March 27, 2018, the Board of Directors advised the Bank to issue financial bonds in an aggregate amount of no more than RMB10 billion (inclusive). The proposal was considered and approved at the 2017 annual general meeting convened on June 1, 2018.

As of the Latest Practicable Date, the Bank has not issued any financial bonds as per the aforesaid authorization. The Bank will, according to relevant applicable laws and regulations and the Hong Kong Listing Rules, disclose concrete progress of issuing financial bonds to its Shareholders and potential investors in a prompt manner.

IV. Purchase, Sale and Redemption of Listed Securities of the Bank

The H Shares of the Bank were listed on the Main Board of the Hong Kong Stock Exchange on January 18, 2018. The over-allotment option was fully exercised on February 5, 2017. The over-allotment shares were listed on the Main Board of the Hong Kong Stock Exchange on February 8, 2018.

Please refer to the section headed “Changes in Share Capital and Particulars of Shareholders” of this interim report for details of the share capital of the Bank as of the date of this interim report. Save as disclosed above, the Bank and any of its subsidiaries had not purchased, sold or redeemed any of the Bank’s listed securities from the Listing Date to the date of this interim report.

V. Connected Party Transactions

From the Listing Date to June 30, 2018, no material connected party transaction had occurred which had adverse effects on the operating results and financial position of the Bank.

VI. Material Lawsuits and Arbitrations

Legal disputes in which the Bank and its subsidiaries were involved during daily businesses mainly included actions taken against the borrowers for the purpose of recovering loans. As of the Latest Practicable Date, neither the Bank nor its subsidiaries had been involved in any major pending litigation as defendant.

VII. Punishment Imposed on the Bank and its Directors, Supervisors and Senior Management Members

From the Listing Date to the Latest Practicable Date, neither the Bank nor its Directors, Supervisors and senior management members had been subject to investigation, administrative sanction and criticism by CSRC, public censure by Hong Kong Stock Exchange, or punishment imposed by any other regulatory authorities and having material effect on the Bank’s operations.

VIII. Continuing Connected Transactions

A. Exempt Continuing Connected Transactions

1. Commercial banking services and products provided in the ordinary and usual course of business

The Bank is a commercial bank incorporated in the PRC under the supervision of the CBIRC and the PBoC. It provides commercial banking services and products in the ordinary and usual course of business to the public in China, including the Bank’s connected persons (such as the Directors, the Supervisors and/or their respective associates). Details of the connected transactions between the Bank and its connected persons are set out below. These transactions are entered into in the ordinary and usual course of business of the Bank on normal commercial terms.

(1) Extending loans and other credit facilities to connected persons

The Bank provides loans and other credit facilities to certain connected persons of the Bank in the ordinary and usual course of business on normal commercial terms and with reference to prevailing market rates (including providing loans indirectly to connected persons of the Bank through trust schemes or asset management schemes established by third parties).

The above loans and other credit facilities provided by the Bank to the connected persons are entered into in the ordinary and usual course of business on normal commercial terms and with reference to prevailing market interest rates. Accordingly, pursuant to Rule 14A.87 (1) of the Hong Kong Listing Rules, these transactions constitute fully exempt continuing connected transactions (i.e. financial assistance provided by the Bank to connected persons in the ordinary and usual course of business on normal commercial terms), and are therefore fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(2) Taking deposits from connected persons

The Bank takes deposits from certain connected persons in the ordinary and usual course of business with normal deposit interest rates and on normal commercial terms.

The deposits are placed by the Bank's connected persons with the Bank on normal commercial terms, with reference to prevailing market rates. Accordingly, pursuant to Rule 14A.90 of the Hong Kong Listing Rules, these transactions constitute fully exempt continuing connected transactions (i.e. financial assistance received by the Bank from connected persons which are made by connected persons on normal commercial terms, and are not secured by the Bank's assets) and are therefore fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(3) Other banking services and products

The Bank provides various commercial banking services and products (such as bank acceptance bills, debit card services) to certain connected persons in the ordinary and usual course of business on normal commercial terms and conditions at normal fee standards.

These continuing connected transactions are the provision of various commercial banking services and products to the Bank's connected persons in the ordinary and usual course of business on normal commercial terms similar to or no more favorable than those offered to independent third parties and are expected to constitute *de minimis* transactions under Chapter 14A of the Hong Kong Listing Rules. Accordingly, pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules, these transactions constitute fully exempt continuing connected transactions and are therefore fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

2. Property leasing agreement with a connected person

The Bank entered into a property leasing agreement with JISCO Zhongtian Property Co., Ltd. (酒鋼集團中天置業有限公司) (an associate of Gansu State-owned Assets Investment, a substantial shareholder of the Bank) (“Zhongtian Property”). Pursuant to the agreement, Zhongtian Property leased a property located in Jiayuguan, Gansu province to the Bank as the Bank’s business office, with a leasing term from January 1, 2017 to December 31, 2017 and at an annual rental of RMB401,568. In December 2017, the Bank entered into a new property leasing agreement with Zhongtian Property in respect of the same property with a leasing term from January 1, 2018 to December 31, 2018 and at an unchanged annual rental of RMB401,568. The transaction is conducted on normal commercial terms.

Gansu State-owned Assets Investment, a substantial shareholder of the Bank, holds 31.91% equity interest in Jiuquan Iron & Steel, while Zhongtian Property is a subsidiary of Jiuquan Iron & Steel. Zhongtian Property is therefore a connected person of the Bank. As the highest applicable percentage ratios of the above transaction calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules are expected to be, on an annual basis, less than 0.1%, the continuing connected transaction contemplated under the above property leasing agreement constitutes *de minimis* transaction, and therefore is exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules.

3. Property management agreement with a connected person

The Bank entered into a property management agreement with Lanzhou Changhong Property Management Co., Ltd. (蘭州長虹物業管理有限公司) (an associate of Gansu State-owned Assets Investment, a substantial shareholder of the Bank) (“Changhong Property Management”). Pursuant to this agreement, Changhong Property Management agreed to provide property management services to the Bank for its office space located in the Bank of Gansu Tower situated at Chengguang District of Lanzhou, Gansu province, with a term from August 1, 2017 to July 31, 2020. In view of establishing a long-term business relationship, the Bank and Changhong Property Management agreed that Changhong Property Management will not charge relevant property management fees in respect of the property management services it provides to the Bank.

Gansu State-owned Assets Investment, a substantial shareholder of the Bank, holds 31.91% equity interest in Jiuquan Iron & Steel, which holds 100% equity interest in JISCO Lanzhou Judong Real Estate Development Co., Ltd. JISCO Lanzhou Judong Real Estate Development Co., Ltd. holds 100% equity interest in Changhong Property Management. Therefore, Changhong Property Management is a connected person of the Bank. As the highest applicable percentage ratios of the above transaction calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules are expected to be, on an annual basis, less than 0.1%, the continuing connected transaction contemplated under the above property management services agreement constitutes *de minimis* transaction, and therefore is exempt from all the reporting, annual review, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules.

4. Trust arrangement with a connected person

In the ordinary and usual course of business, the Bank and Everbright Xinglong Trust Co., Ltd. (光大興隴信托有限責任公司) (“Everbright Xinglong Trust”) enter into a number of fund trust agreements (“Everbright Xinglong Trust Agreements”). As the settlor of the trust schemes, the Bank uses its own funds as the trust property, while Everbright Xinglong Trust, serving as the trustee of the trust schemes, sets up specific service management trust schemes. The Bank designates the end users of the trust property and Everbright Xinglong Trust in turn enters into relevant agreements (the “Relevant Agreements”, such as trust loan agreements) with the end users.

Gansu State-owned Assets Investment, a substantial shareholder of the Bank, holds 43.98% equity interest in Everbright Xinglong Trust. Everbright Xinglong Trust is therefore a connected person of the Bank.

The Bank and Everbright Xinglong Trust agreed in the Everbright Xinglong Trust Agreements on the expected annualized rate of investment return or the method of determination of the investment return during the term of trusts. These returns are derived from the interest on trust loans or returns paid by the end-users of the trust property to Everbright Xinglong Trust under the Relevant Agreements. As the trustee of the trust schemes, Everbright Xinglong Trust is entitled to receive trust fees from the Bank (as the settlor of the trust schemes) which is a fixed amount agreed upon between Everbright Xinglong Trust and the Bank or calculated with reference to the principal balance of the trust property multiplied by the fixed annualized trust fee rate.

The terms of the transactions contemplated by the Everbright Xinglong Trust Agreements are on normal commercial terms and no more favorable than those offered to other independent third parties. From January 1, 2018 to August 31, 2018, in terms of the trust management fee obtained by Everbright Xinglong Trust, as the highest applicable percentage ratios calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules are expected to be, on an annual basis, less than 0.1%, the continuing connected transactions contemplated by the Everbright Xinglong Trust Agreements constitute *de minimis* transactions, and therefore are exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules.

B. Trust Business Cooperation Framework Agreement with Everbright Xinglong Trust

In terms of the trust business carried out by the Bank and Everbright Xinglong Trust as described above, due to changes in the regulatory environment and the business development needs of the Bank, taking into account the trust management fees obtained by Everbright Xinglong Trust from the trust transactions between the Bank and Everbright Xinglong Trust from January 1, 2018 to August 31, 2018, the Bank expects a significant increase in trust transactions with Everbright Xinglong Trust. Therefore, in order to facilitate the Bank’s related business, the Directors considered and approved the trust business cooperation framework agreement (the “Trust Business Cooperation Framework Agreement”) between the Bank and Everbright Xinglong Trust and the period / annual cap of the trust management fees to be obtained by Everbright Xinglong Trust for the period from September 1, 2018 to December 31, 2018, the year ending December 31, 2019, and the year ending December 31, 2020 thereof at the board meeting held on August 31, 2018.

As the highest applicable percentage ratio under the Trust Business Cooperation Framework Agreement exceeds 0.1% but is less than 5%, such transactions shall be subject to compliance with the reporting, announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules, but is exempt from complying with the requirement of approval by independent shareholders.

For further details of the Trust Business Cooperation Framework Agreement, including the principal terms of the agreement, pricing basis, internal control measures, historical amount, proposed period/annual cap and its basis, and reasons and benefits of entering into such agreement, please refer to the announcement of the Bank dated August 31, 2018 in relation to this framework agreement of the continuing connected transactions.

IX. Public Float

When it applied for the listing of its H Shares, the Bank applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted the Bank a waiver that the minimum public float requirement under Rule 8.08(1) of the Hong Kong Listing Rules be reduced and the minimum percentage of the H Shares from time to time held by the public to be the higher of (i) 22.72%, the percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming the over-allotment option is not exercised); and (ii) such percentage of H Shares to be held by the public after the exercise of the over-allotment option, provided that the higher of (i) and (ii) above is below the minimum public float requirement of 25% under Rule 8.08(1)(a) of the Hong Kong Listing Rules.

Immediately after the full exercise of the over-allotment option and as of the Latest Practicable Date, the number of H Shares in public hands represents approximately 25.26% of the total issued share capital of the Bank, which satisfies the minimum public float requirement under Rule 8.08(1) of the Hong Kong Listing Rules.

X. Appointment of External Auditors

As deliberated and approved by shareholders at the 2017 annual general meeting on June 1, 2018, the Bank reappointed Shinewing Certified Public Accountants LLP as its domestic external auditor for 2018, which is responsible for providing relevant domestic audit services in accordance with PRC GAAP; reappointed SHINEWING (HK) CPA Limited as its international external auditor for 2018, which is responsible for providing relevant overseas audit & review services in accordance with IFRS. The terms of the above two external auditors shall start from the date when the proposal on appointment of external auditors for 2018 was adopted at the 2017 annual general meeting of the Bank (namely on June 1, 2018) to the date when the 2018 annual general meeting of the Bank ended.

XI. Acquisition and Sales of Subsidiaries, Associates, Assets and Business Combinations/Mergers

The Bank did not carry out any acquisition and sales of subsidiaries, associates, assets and business combinations/mergers from the Listing Date to the Latest Practicable Date.

XII. Change of Principal Place of Business in Hong Kong

The Bank's principal place of business in Hong Kong has been changed to 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong with effect from July 30, 2018.

XIII. Review of Interim Report

The financial statements disclosed in this interim report have not been audited. The interim financial statements of the Bank for the six months ended June 30, 2018 prepared in accordance with IFRS issued by the International Accounting Standards Board have been reviewed by SHINEWING (HK) CPA Limited according to Hong Kong Standard on Review Engagements 2410. The Board of Directors and its audit committee have reviewed and approved the Group's unaudited consolidated interim financial data for the six months ended June 30, 2018.

XIV. Publication of the 2018 Interim Report

The 2018 Interim Report of the Bank prepared in accordance with the Hong Kong Listing Rules and IFRS is available on the HKEXnews website (<http://www.hkexnews.hk>) and the Bank's website (<http://www.gsbankchina.com/>).

In this interim report, the financial data for the six months ended June 30, 2018 has not been audited, and the financial data for the six months ended June 30, 2017 and for the year ended December 31, 2017 have been audited.

Chapter 8

Report on Review of Condensed Consolidated Financial Statements



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

To the Board of Directors of 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)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Bank of Gansu Co., Ltd (the “Bank”) and its subsidiary (collectively referred to as the “Group”) set out on pages 111 to 196, which comprise the condensed consolidated statement of financial position as of June 30, 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Chapter 8
Report on Review of Condensed Consolidated
Financial Statements

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Chuen Fai

Practising Certificate Number: P05589

Hong Kong

August 31, 2018

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

For the six months ended June 30, 2018

	Notes	Six months ended June 30,	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Interest income		7,546,738	6,871,394
Interest expenses		(3,889,181)	(3,120,795)
Net interest income	4	3,657,557	3,750,599
Fee and commission income		193,193	259,727
Fee and commission expenses		(65,364)	(35,216)
Net fee and commission income	5	127,829	224,511
Net trading gains/(losses)	6	434,740	(3,930)
Net gains arising from investment securities	7	2,442	—
Net exchange gains/(losses)		168,943	(4,658)
Other operating income, net	8	11,521	84,002
Operating income		4,403,032	4,050,524
Operating expenses	9	(987,295)	(842,203)
Impairment losses on assets, net of reversals	10	(472,643)	(497,123)
Operating profit		2,943,094	2,711,198
Share of profit of an associate	21	820	865
Profit before tax		2,943,914	2,712,063
Income tax expense	11	(733,487)	(666,231)
Profit for the period		2,210,427	2,045,832
Earnings per share			
— Basic and diluted (RMB cents)	12	22.49	27.13

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

For the six months ended June 30, 2018

	Six months ended June 30,	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Profit for the period	2,210,427	2,045,832
Other comprehensive income/(expenses) for the period:		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
– Remeasurement of defined benefit obligations	(1,280)	2,480
– Income tax relating to remeasurement of defined benefit obligations that will not be reclassified subsequently	320	(620)
	(960)	1,860
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Debt instrument at fair value through other comprehensive income		
– Amounts reclassified to other comprehensive income in respect of impairment losses	(5,150)	–
– Change in fair value recognised in investment revaluation reserve	64,490	–
– Income tax relating to item that may be reclassified subsequently	(16,123)	–
Available-for-sale financial assets		
– Change in fair value recognised in investment revaluation reserve	–	(30,916)
– Income tax relating to item that may be reclassified subsequently	–	7,729
	43,217	(23,187)
Other comprehensive income (expenses) for the period, net of income tax	42,257	(21,327)
Total comprehensive income for the period	2,252,684	2,024,505
Profit for the period attributable to:		
– Owners of the Bank	2,211,388	2,041,970
– Non-controlling interests	(961)	3,862
	2,210,427	2,045,832
Total comprehensive income for the period attributable to:		
– Owners of the Bank	2,253,645	2,020,643
– Non-controlling interests	(961)	3,862
	2,252,684	2,024,505

Condensed Consolidated Statement of Financial Position

At June 30, 2018

		At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
	Notes		
Assets			
Cash and deposits with the central bank	13	32,682,557	29,084,415
Deposits with banks	14	20,955,993	30,811,728
Financial assets held under resale agreements	15	17,957,108	9,819,920
Financial assets at amortised cost	16	51,630,136	—
Interests receivables	17	1,496,802	1,268,593
Loans and advances to customers	18	145,052,766	125,254,681
Financial assets at fair value through profit or loss	19	30,829,064	249,636
Debt instruments at fair value through other comprehensive income	20	7,221,640	—
Available-for-sale financial assets	20	—	13,057,235
Held-to-maturity investments	16	—	8,615,964
Debt securities classified as receivables	16	—	48,182,626
Interest in an associate	21	10,750	9,930
Property and equipment	22	2,767,147	1,752,840
Deferred tax assets	23	1,646,252	1,465,662
Other assets	24	922,816	1,574,387
Total assets		313,173,031	271,147,617

Condensed Consolidated Statement of Financial Position

At June 30, 2018

	Notes	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Liabilities and equity			
Liabilities			
Borrowings from the central bank	26	9,626,898	5,290,410
Deposits from banks and other financial institutions	27	33,209,020	20,178,373
Placements from banks and other financial institutions	28	4,078,000	1,050,000
Financial assets sold under repurchase agreements	29	1,923,427	5,817,526
Deposits from customers	30	198,248,673	192,230,603
Accrued staff costs	31	372,875	398,478
Taxes payable		299,043	572,856
Interests payable	32	5,286,667	4,305,460
Debts securities issued	33	34,746,254	23,960,759
Deferred tax liabilities	23	48,820	—
Other liabilities	34	1,516,586	730,113
Total liabilities		289,356,263	254,534,578
Equity			
Share capital	35	10,069,791	7,525,991
Capital reserve	36(a)	4,657,814	1,767,659
Defined benefit plan reserve		(1,704)	(744)
Investment revaluation reserve		55,919	(125,323)
Surplus reserve	36(b)	1,166,931	892,953
General reserve	36(c)	3,631,670	3,631,670
Retained earnings		4,208,458	2,889,067
Total equity attributable to owners of the Bank		23,788,879	16,581,273
Non-controlling interests		27,889	31,766
Total equity		23,816,768	16,613,039
Total liabilities and equity		313,173,031	271,147,617

The condensed consolidated financial statements on pages 111 to 196 were approved and authorised for issue by the board of directors of the Bank on August 31, 2018 and are signed on its behalf by:

Mr. Li Xin
Director

Mr. Lei Tie
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2018

	Attributable to owners of the Bank									
	Share Capital RMB'000	Capital reserve RMB'000	Defined		Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
			benefit	Investment						
			plan reserve RMB'000	revaluation reserve RMB'000						
At January 1, 2018										
(Audited)	7,525,991	1,767,659	(744)	(125,323)	892,953	3,631,670	2,889,067	16,581,273	31,766	16,613,039
Change in accounting policy (note 3)	—	—	—	138,025	(61,310)	—	(556,709)	(479,994)	(2,916)	(482,910)
At January 1, 2018	7,525,991	1,767,659	(744)	12,702	831,643	3,631,670	2,332,358	16,101,279	28,850	16,130,129
Profit for the period	—	—	—	—	—	—	2,211,388	2,211,388	(961)	2,210,427
Other comprehensive (expenses)/income for the period	—	—	(960)	43,217	—	—	—	42,257	—	42,257
Total comprehensive (expenses)/income for the period	—	—	(960)	43,217	—	—	2,211,388	2,253,645	(961)	2,252,684
Change in share capital										
— Capital contributed by equity shareholders	2,543,800	3,058,642	—	—	—	—	—	5,602,442	—	5,602,442
— Share issue expenses	—	(168,487)	—	—	—	—	—	(168,487)	—	(168,487)
Appropriation of profits										
— Appropriation to surplus reserve	—	—	—	—	335,288	—	(335,288)	—	—	—
At June 30, 2018										
(Unaudited)	10,069,791	4,657,814	(1,704)	55,919	1,166,931	3,631,670	4,208,458	23,788,879	27,889	23,816,768

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2018

	Attributable to owners of the Bank									
	Share Capital	Capital reserve	Defined		Surplus reserve	General reserve	Retained earnings	Sub-total	Non- controlling interests	Total
			benefit	Investment						
			plan reserve	revaluation reserve						
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At January 1, 2017										
(Audited)	7,525,991	1,765,183	(4,066)	(27,141)	557,666	3,226,100	271,460	13,315,193	28,451	13,343,644
Profit for the period	—	—	—	—	—	—	2,041,970	2,041,970	3,862	2,045,832
Other comprehensive income/(expenses) for the period	—	—	1,860	(23,187)	—	—	—	(21,327)	—	(21,327)
Total comprehensive income/(expenses) for the period	—	—	1,860	(23,187)	—	—	2,041,970	2,020,643	3,862	2,024,505
At June 30, 2017										
(Audited)	7,525,991	1,765,183	(2,206)	(50,328)	557,666	3,226,100	2,313,430	15,335,836	32,313	15,368,149

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2018

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Operating activities		
Profit before tax	2,943,914	2,712,063
Adjustments for:		
Depreciation of property and equipment	147,027	108,209
Amortisation of long term deferred expenses, land use rights and intangible assets	8,120	3,979
Impairment losses on assets	472,643	497,123
Interest expense on debts securities issued	754,577	417,567
Gain on disposal of property and equipment	(108)	—
Gain on disposal of repossessed assets	—	(31,839)
Net unrealised trading (gains)/losses	(142,416)	(2,247)
Net gains arising from investment securities	(2,442)	—
Government grants	(15,847)	(51,828)
Interest income on financial investments	(1,892,463)	(2,559,544)
Share of profits of associates	(820)	(865)
	2,272,185	1,092,618
Changes in operating assets		
Net increase in deposits with the central bank	(35,886)	(649,399)
Net decrease/(increase) in deposits with the banks	23,895,749	(10,752,437)
Net increase in financial assets at fair value through profit or loss	(20,656,788)	—
Net increase in loans and advances to customers	(20,342,290)	(10,314,826)
Net decrease/(increase) in other operating assets	371,513	(190,698)
	(16,767,702)	(21,907,360)
Changes in operating liabilities		
Net increase/(decrease) in borrowing from central bank	4,336,488	(782,515)
Net increase/(decrease) in deposits and placements from banks and other financial institutions	16,058,647	(7,117,556)
Net (decrease)/increase in financial assets sold under repurchase agreements	(3,894,099)	2,992,427
Net increase in deposits from customers	6,018,070	15,766,164
Net increase in other operating liabilities	1,630,955	725,780
	24,150,061	11,584,300

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2018

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cash generated from/(used in) operations	9,654,544	(9,230,442)
Income tax paid	(983,461)	(1,430,012)
Net cash from/(used in) operating activities	8,671,083	(10,660,454)
Investing activities		
Proceeds from disposal of investments	60,560,587	60,479,043
Interest income received from financial investments	1,922,426	2,536,644
Proceeds from disposal of property and equipment and other assets	475	42,782
Payments on acquisition of investments	(59,782,800)	(38,610,790)
Payments on acquisition of property and equipment and intangible assets	(1,161,772)	(107,814)
Deposits paid for acquisitions of premises	—	(1,153,211)
Net cash generated from investing activities	1,538,916	23,186,654
Financing activities		
Government grants received	15,847	51,828
Proceeds from capital contribution by equity shareholder	5,602,442	—
Shares issue expense	(168,487)	—
Proceeds from issue of new debt securities	23,705,588	30,416,705
Repayment of debt securities issued	(13,480,000)	(19,400,000)
Interest paid on debts securities issued	(143,708)	—
Dividends paid	(75)	—
Debt securities issue expenses	—	(3,108)
Net cash from financing activities	15,531,607	11,065,425
Net increase in cash and cash equivalents	25,741,606	23,591,625
Cash and cash equivalents at the beginning of the period	17,220,882	25,552,017
Cash and cash equivalents at the end of the period (note 40)	42,962,488	49,143,642
Interest received	7,111,028	7,170,445
Interest paid (excluding interest expense on debts securities issued)	(2,139,588)	(2,114,102)

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

1 General

The Bank was established in Lanzhou, Gansu Province, the People's Republic of China (the "PRC") on September 27, 2011 with the approval of China Banking Regulatory Commission (the "CBRC"). Prior to its establishment, the banking business was carried out by two city commercial banks (the "Predecessor Entities"), each being located in Gansu Province.

Pursuant to reorganisation initiated by the People's Government of Gansu Province, the Bank was established through the merger and reorganisation of the Predecessor Entities.

The Bank obtained its finance permit No. B1228H262010001 from the CBRC, and obtained its business license No. 91620000585910383X from the Gansu Administration of Industry and Commerce. The legal representative is Li Xin and the address of the registered office is No. 122, Gannan Road, Chengguan District, Lanzhou, Gansu Province.

As at June 30, 2018, the Bank has a head office, 12 branches, 188 sub-branches, 3 micro-to-small enterprise sub-branches, a community sub-branch and a subsidiary. The principal activities of the Bank and its subsidiary (collectively referred to as the "Group") are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBRC. The Group operates in Mainland China.

On January 18, 2018, the Bank's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock code: 2139).

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Bank and its subsidiary.

2 Basis of preparation

The condensed consolidated financial statement of the Group for the six months ended June 30, 2018 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, and with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”), issued by the International Accounting Standards Board (“IASB”).

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

3 Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2018 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and revised IFRSs, which include IFRSs, International Accounting Standards ("IAS(s)"), amendments and related Interpretations ("IFRICs"), issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning January 1, 2018.

IFRS 9 (2014)	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transaction
Amendments to IFRS 4	Applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i>
Amendments to IAS 28	As part of Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as describe as below, the application of other new and revised IFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior interim periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets.

3 Principal accounting policies (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (continued)

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

3.1.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 Principal accounting policies (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Classification and measurement of financial assets (continued)

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these are debt instruments recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net trading gains/(losses)" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at January 1, 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 3.1.2.

3 Principal accounting policies (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including financial assets held under resale agreements, debt instruments at fair value through other comprehensive income, financial assets at amortised cost, interest receivables and loan and advance to customers). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

3 Principal accounting policies (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk (continued)

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

3 Principal accounting policies (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Measurement and recognition of ECL (continued)

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognise an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of financial assets held under resale agreements, interest receivables and loan and advance to customers where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments.

As at January 1, 2018, the directors of the Bank reviewed and assessed the Group's existing financial assets, financial assets held under resale agreements, debt instruments at fair value through other comprehensive income, financial assets at amortised cost, interest receivables and loan and advance to customers for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.1.2.

3 Principal accounting policies (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (continued)

3.1.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, January 1, 2018.

	Closing balance at December 31, 2017 – IAS 39	Reclassification				Remeasurement			Opening balance at January 1, 2018 – IFRS 9 (Restated)
		From Available- for-sale equity investment (a)(i)	From Available- for-sale debt investment (a)(ii)	From Held to maturity investments (b)	From Debt securities classified as receivables (b)	From Impairment under ECL model (c)	From amortised cost to fair value (b)	Release of surplus reserve (Note)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets									
Deposits with banks	30,811,728	–	–	–	–	(4,455)	–	–	30,807,273
Financial assets									
held under resale									
agreements	9,819,920	–	–	–	–	(62)	–	–	9,819,858
Financial assets at									
FVTPL	249,636	10,000	2,754,231	–	7,113,600	–	(97,607)	–	10,029,860
Interest receivable	1,268,593	–	(11,425)	–	–	–	–	–	1,257,168
Loans and advances									
to customers	125,254,681	–	–	–	–	(52,196)	–	–	125,202,485
Available-for-sale									
financial assets	13,057,235	(10,000)	(13,047,235)	–	–	–	–	–	–
Held to maturity									
investments	8,615,964	–	–	(8,615,964)	–	–	–	–	–
Debt securities									
classified as									
receivables	48,182,626	–	–	–	(48,182,626)	–	–	–	–
Debt instruments at									
FVTOCI	–	–	4,425,024	150,000	–	–	(2,385)	–	4,572,639
Financial assets at									
amortised cost	–	–	6,021,026	8,465,964	41,158,930	(685,091)	–	–	54,960,829
Deferred tax assets	1,465,662	–	(38,262)	–	(22,476)	207,247	24,903	–	1,637,074

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

3 Principal accounting policies (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (continued)

3.1.2 Summary of effects arising from initial application of IFRS 9 (continued)

	Closing balance at December 31, 2017 – IAS 39	Reclassification				Remeasurement			Opening balance at January 1, 2018 – IFRS 9 (Restated)
		From Available- for-sale equity investment (a)(i)	From Available- for-sale debt investment (a)(ii)	From Held to maturity investments (b)	From Debt securities classified as receivables (b)	From Impairment under ECL model (c)	From amortised cost to fair value (b)	Release of surplus reserve (Note)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities									
Other liabilities	730,113	–	–	–	–	44,051	–	–	774,164
Equity									
Surplus reserve	892,953	–	–	–	–	–	–	(61,310)	831,643
Non-controlling interest	31,766	–	–	–	–	(2,916)	–	–	28,850
Retained earnings	2,889,067	–	10,355	–	67,428	(622,502)	(73,300)	61,310	2,332,358
Investment revaluation reserve	(125,323)	–	93,004	–	–	46,810	(1,789)	–	12,702

Note: As a result of remeasurement of financial assets under IFRS 9, surplus reserve amounted approximately RMB61,310,000 was released to retained earnings.

(a) Available-for-sale investments

(i) *Unlisted equity investments previously classified as available-for-sale investments carried at cost less impairment:*

For the available-for-sale unlisted equity investments carried at cost less impairment amounting to RMB10,000,000, the Group has not elected the option for designation at FVTOCI and reclassified them to financial assets at FVTPL. The Group measures them at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised in profit or loss. Due to no significant difference in its fair value and carrying amount as at January 1, 2018, no fair value gain or loss was adjusted to retained earnings as at January 1, 2018.

3 Principal accounting policies (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (continued)

3.1.2 Summary of effects arising from initial application of IFRS 9 (continued)

(a) Available-for-sale investments (continued)

(ii) *Debt investments previously classified as available-for-sale financial assets carried at fair value:*

Some of these debt investments amounting to approximately RMB4,425,024,000 satisfy the contractual cash flow characteristics test, and are held within a business model whose objective is achieved by both collecting contractual cash flows and selling these debt investments. Accordingly, these financial assets continue to be subsequently measured at FVTOCI and were reclassified to debt instruments at FVTOCI under IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve continue to be subsequently reclassified to profit or loss when the debt investments are derecognised.

Some of these debt investments amounting to approximately RMB6,021,026,000 satisfy the contractual cash flow characteristics test, and are held within a business model whose objective is achieved by collecting contractual cash flows. Accordingly, these financial assets were reclassified to financial assets at amortised cost under IFRS 9, with corresponding reversal of fair value losses of approximately RMB114,784,000 after deducting the effect of deferred tax of approximately RMB38,262,000 accumulated in the investment revaluation reserve.

The remaining debt investments amounting to approximately RMB2,754,231,000 fail the contractual cash flow characteristics test, were reclassified to financial assets at fair value through profit or loss with fair value gains or losses to be recognised in profit or loss instead of other comprehensive income under IFRS 9. Related fair value gain of approximately RMB21,780,000 was adjusted from investment revaluation reserve to retained earnings at January 1, 2018. Interest receivables related to these financial assets amounted approximately RMB11,425,000 was adjusted to retained earnings at January 1, 2018.

(b) Debt investments previously classified as held-to-maturity investments and debt securities classified as receivables previously classified as loan and receivables carried at amortised cost

Some of these held to maturity investments and debt securities classified as receivables amounting to approximately RMB8,465,964,000 and RMB41,158,930,000 respectively are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these investments continue to be subsequently measured at amortised cost and were reclassified to financial assets at amortised cost upon adoption of IFRS 9.

Some of these held to maturity investments amounting to approximately RMB150,000,000 satisfy the contractual cash flow characteristics test, and are held within a business model whose objective is achieved by both collecting contractual cash flows and selling these debt investments. Accordingly, these financial assets were reclassified to financial assets at FVTOCI under IFRS 9, with the fair value gains or losses to be recognised in investment revaluation reserve. On initial application of IFRS 9, fair value loss relating to these investments amounting to approximately RMB1,789,000, after deducting the effect of deferred tax credit of approximately RMB596,000, was adjusted to investment revaluation reserve at January 1, 2018.

3 Principal accounting policies (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (continued)

3.1.2 Summary of effects arising from initial application of IFRS 9 (continued)

- (b) Debt investments previously classified as held-to-maturity investments and debt securities classified as receivables previously classified as loan and receivables carried at amortised cost (continued)

The remaining debt securities classified as receivables amounting to RMB7,113,600,000 which fail the contractual cash flow characteristics test or are held within a business model whose objective is neither to collect the contractual cash flows nor to both collect contractual cash flows and sell these financial assets, were reclassified to financial assets at FVTPL under IFRS 9, with the fair value gains or losses to be recognised in profit or loss. On initial application of IFRS 9, amount of approximately RMB67,428,000 reversal of provision of impairment loss after deducting the effect of deferred tax charge of approximately RMB22,476,000 was adjusted to retained earnings at January 1, 2018. Related fair value loss relating to these investments amounting to approximately RMB73,300,000, after deducting the effect of deferred tax credit of approximately RMB24,307,000, was adjusted to retained earnings at January 1, 2018.

All other financial assets and financial liabilities continue to be measured on the same bases as are previously measured under IAS 39.

- (c) Impairment under ECL model

Certain debt instruments at FVTOCI of the Group are listed bonds that are graded in the top credit rating among rating agencies. Therefore, these investments are considered to be low credit risk investments and the loss allowance is measured on 12m ECL basis.

As at January 1, 2018, the additional credit loss allowance of approximately RMB578,608,000, after deducting the effect of deferred tax charge amounted approximately RMB207,247,000, has been recognised against retained profit. The additional loss allowance is charged against the respective asset. An impairment loss recognised in debt instruments at FVTOCI amounted RMB46,810,000 was reclassified from investment revaluation reserve to retained earnings. An amount of approximately RMB2,916,000 resulted from this remeasurement was debited from retained earnings to non-controlling interest.

3 Principal accounting policies (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (continued)

3.1.2 Summary of effects arising from initial application of IFRS 9 (continued)

(c) Impairment under ECL model (continued)

All loss allowances for financial assets including loan and advance to customers, deposits with banks, financial asset held under resale agreement, financial asset at amortised cost and bank acceptances and letters of guarantees as at December 31, 2017 reconcile to the opening loss allowance as at January 1, 2018 is as follows:

	Loan and advance to customer RMB'000	Deposits with banks RMB'000	Financial asset held under resale agreement RMB'000	Financial asset at amortised cost RMB'000	Bank acceptances and letters of guarantees RMB'000	Total RMB'000
At December 31, 2017	5,028,961	—	—	2,146,175	—	7,175,136
Reclassification	—	—	—	(89,904)	—	(89,904)
Amounts remeasured through opening retained earnings	52,196	4,455	62	685,091	44,051	785,855
At January 1, 2018	5,081,157	4,455	62	2,741,362	44,051	7,871,087

3.2 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

3 Principal accounting policies (continued)

3.2 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligations is transferred to customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3 Principal accounting policies (continued)

3.2 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The Group recognises the wealth management service fees and agency services fees overtime as the related services are transferred overtime. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Regarding the bank acceptance bills service fees, settlement and clearing fees and letter of guarantee service fees, those contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligations on a relative stand-alone fair value of these performance obligations.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised loan service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

In current period, the Group's revenue mainly includes interest income and fee and commission income, among which fee and commission income will be within the scope of IFRS 15, while interest income is within the scope of IFRS 9 for the annual periods beginning on or after January 1, 2018.

The directors of the Bank consider that the adoption of IFRS 15 as of January 1, 2018 does not have any significant impact on the amount of equity attributable to the owners of the Bank as at December 31, 2017.

3 Principal accounting policies (continued)

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretations

As a result of the changes in accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	December 31, 2017	IFRS 9	January 1, 2018
	RMB'000	RMB'000	RMB'000
Assets			
Cash and deposits with the central bank	29,084,415	—	29,084,415
Deposits with banks	30,811,728	(4,455)	30,807,273
Financial assets held under resale agreements	9,819,920	(62)	9,819,858
Financial assets at amortised cost	—	54,960,829	54,960,829
Interests receivables	1,268,593	(11,425)	1,257,168
Loans and advances to customers	125,254,681	(52,196)	125,202,485
Financial assets at fair value through profit or loss	249,636	9,780,224	10,029,860
Debt instruments at fair value through other comprehensive income	—	4,572,639	4,572,639
Available-for-sale financial assets	13,057,235	(13,057,235)	—
Held-to-maturity investments	8,615,964	(8,615,964)	—
Debt securities classified as receivables	48,182,626	(48,182,626)	—
Interest in an associate	9,930	—	9,930
Property and equipment	1,752,840	—	1,752,840
Deferred tax assets	1,465,662	171,412	1,637,074
Other assets	1,574,387	—	1,574,387
Total assets	271,147,617	(438,859)	270,708,758

3 Principal accounting policies (continued)

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretations (continued)

	December 31, 2017	IFRS 9	January 1, 2018
	RMB'000	RMB'000	RMB'000
Liabilities			
Borrowings from the central bank	5,290,410	—	5,290,410
Deposits from banks and other financial institutions	20,178,373	—	20,178,373
Placements from banks and other financial institutions	1,050,000	—	1,050,000
Financial assets sold under repurchase agreements	5,817,526	—	5,817,526
Deposits from customers	192,230,603	—	192,230,603
Accrued staff costs	398,478	—	398,478
Taxes payable	572,856	—	572,856
Interests payable	4,305,460	—	4,305,460
Debts securities issued	23,960,759	—	23,960,759
Deferred tax liabilities	—	—	—
Other liabilities	730,113	44,051	774,164
Total liabilities	254,534,578	44,051	254,578,629
Equity			
Share capital	7,525,991	—	7,525,991
Capital reserve	1,767,659	—	1,767,659
Defined benefit plan reserve	(744)	—	(744)
Investment revaluation reserve	(125,323)	138,025	12,702
Surplus reserve	892,953	(61,310)	831,643
General reserve	3,631,670	—	3,631,670
Retained earnings	2,889,067	(556,709)	2,332,358
Total equity attributable to owners of the Bank	16,581,273	(479,994)	16,101,279
Non-controlling interests	31,766	(2,916)	28,850
Total equity	16,613,039	(482,910)	16,130,129
Total liabilities and equity	271,147,617	(438,859)	270,708,758

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

4 Net interest income

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Interest income arising from		
– Deposits with the central bank	214,883	186,349
– Deposits with banks	534,152	355,051
– Placements with banks and other financial institutions	2,496	—
– Financial asset at fair value through profit or loss	—	24,683
– Loans and advances to customers:		
Corporate loans and advances	3,417,438	2,999,076
Personal loans and advances	743,256	292,213
Discounted bills	538,248	417,144
– Financial assets held under resale agreements	203,802	37,334
– Investments	1,892,463	2,559,544
	7,546,738	6,871,394
Less: Interest expenses arising from		
– Borrowing from the central bank	(120,897)	(75,982)
– Deposits from banks and other financial institutions	(804,636)	(765,328)
– Placements from banks and other financial institutions	(109,595)	(4,293)
– Deposits from customers:		
Corporate customers	(673,156)	(590,107)
Individual customers	(1,305,783)	(1,134,293)
– Financial assets sold under repurchase agreements	(120,537)	(133,225)
– Debts securities issued	(754,577)	(417,567)
	(3,889,181)	(3,120,795)
	3,657,557	3,750,599

5 Net fee and commission income

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Fee and commission income		
– Wealth management service fees	26,323	125,162
– Bank acceptance bills service fees	12,232	13,040
– Agency services fees	95,919	57,038
– Settlement and clearing fees	45,165	45,231
– Letter of guarantee service fees	142	3,329
– Others	13,412	15,927
	193,193	259,727
Fee and commission expense		
– Settlement and clearing fees	(2,485)	(745)
– Bank card service fees	(59,182)	(30,881)
– Others	(3,697)	(3,590)
	(65,364)	(35,216)
	127,829	224,511

6 Net trading gains/(losses)

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trading financial instruments		
– Realised gains/ (losses) from debt securities	47,754	(6,177)
– Unrealised gains from debt securities	142,416	2,247
– Financial instruments designated at fair value through profit or loss	11,757	–
Interest income arising from financial assets at FVTPL	232,813	–
	434,740	(3,930)

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

7 Net gains arising from investment securities

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net gains on disposal of debt instruments at fair value through other comprehensive income	2,442	—

8 Other operating income, net

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Government grants (Note)	15,847	51,828
Gain on disposal of repossessed assets	—	31,839
Rental income	1,487	377
Gain on disposal of property and equipment	108	—
Other operating expenses	(5,921)	(42)
	11,521	84,002

Note: Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.

9 Operating expenses

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Staff costs (including directors' emoluments)		
– Salaries and bonuses	449,764	397,118
– Staff welfares	8,959	4,236
– Social insurance	70,651	58,423
– Housing allowances	27,338	22,954
– Labor union and staff education expenses	8,802	5,289
– Others	355	1,407
	565,869	489,427
Premises and equipment expenses		
– Depreciation of property and equipment	147,027	108,209
– Amortisation of long term deferred expenses	7,234	1,657
– Amortisation of land use rights	656	2,223
– Amortisation of intangible assets	230	99
– Rental and property management expenses	88,537	78,003
	243,684	190,191
Business tax and surcharges	36,016	20,460
Other general and administrative expenses	141,726	142,125
	987,295	842,203

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

10 Impairment losses on assets, net of reversals

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Impairment losses on:		
Debt instruments at FVTOCI	(5,150)	—
Financial assets at amortised cost	(29,163)	—
Other receivables, prepayments and repossessed assets	2,412	7,121
Loans and advances to customers	492,009	491,667
Deposit with banks and other financial institutions	(2,307)	—
Property and equipment	—	633
Financial assets held under resale agreements	(62)	—
Bank acceptances and letters of guarantees	14,904	—
Debt securities classified as receivables	—	—*
Held-to-maturity investments	—	(2,298)
	472,643	497,123

* The balance represents an amount less than RMB1,000.

11 Income tax expense

(a) Income tax:

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current tax:		
– PRC Enterprise Income Tax	709,648	701,675
Over-provision in prior years:		
– PRC Enterprise Income Tax	–	(10,885)
Deferred tax (Note 23)		
– Current year	23,839	(24,559)
	733,487	666,231

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25%. Pingliang Jingning Chengji Rural Bank Co., Ltd. ("平涼市靜寧成紀村鎮銀行股份有限公司", "Jingning Chengji Rural Bank"), a subsidiary of the Bank, obtained approvals from tax authorities to adopt the preferential income tax rate of 15%.

11 Income tax expense (continued)

- (b) The tax charge for the period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Profit before tax	2,943,914	2,712,063
Tax at domestic income tax rate of 25%	735,979	678,015
Tax effect of share of profit of an associate	(205)	(216)
Tax effect of expenses not deductible for tax purpose (Note i)	2,965	4,552
Tax effect of income that are not taxable for tax purpose (Note ii)	(4,040)	(4,005)
Over-provision in respect of prior years	—	(10,885)
Income tax on concessionary rate	(1,212)	(1,230)
Income tax expense	733,487	666,231

Notes:

- (i) Expenses not deductible for tax purpose consists of a portion of expenditures, such as entertainment expenses and donations, which exceed the tax deduction limits in accordance with PRC tax regulation.
- (ii) Income not taxable for tax purpose consists of interest income from micro loans to farmers, which is exempted from income tax under the PRC tax regulation.

Details of the deferred taxation are set out in Note 23.

12 Earnings per share

The calculation of the basic and diluted earnings per share attributable to the owners of the Bank is based on the following data:

	Six months ended June 30,	
	2018 (Unaudited)	2017 (Audited)
Profit for the period attributable to owners of the Bank (RMB'000)	2,211,388	2,041,970
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	9,830,871	7,525,991

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the period ended June 30, 2018 and 2017.

13 Cash and deposits with the central bank

	At June 30,	At December 31,
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Cash on hand	545,918	492,372
Deposits with the central bank		
— Statutory deposit reserve (Note a)	25,073,700	25,057,157
— Surplus deposit reserve (Note b)	7,030,590	3,521,880
— Fiscal deposits	32,349	13,006
	32,136,639	28,592,043
	32,682,557	29,084,415

13 Cash and deposits with the central bank (continued)

Notes:

- (a) The Group places statutory deposit reserves with the PBOC (The People's Bank Of China) in accordance with relevant regulations. As at June 30, 2018 and December 31, 2017, the statutory deposit reserve ratios applicable to the Bank were as follows:

	At June 30, 2018 (Unaudited)	At December 31, 2017 (Audited)
Reserve ratio for RMB deposits	13%	13.5%

The statutory deposit reserves are restricted balances with central bank and are not available for the Group's daily business.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of cash settlement and other kinds of unrestricted deposits.

14 Deposits with banks

Analysed by type and location of counterparty

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Deposits in Mainland China		
— Banks	18,420,931	30,693,932
Deposits outside Mainland China		
— Banks	2,537,210	117,796
	20,958,141	30,811,728
Less: Provision for impairment loss	(2,148)	—
	20,955,993	30,811,728

15 Financial assets held under resale agreements

(a) Analysed by type and location of counterparty

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
In Mainland China		
– Banks	17,957,108	5,133,772
– Other financial institutions	–	4,686,148
	17,957,108	9,819,920

(b) Analysed by type of security held

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Debt securities		
– Government	4,929,562	2,084,184
– Banks and other financial institutions	13,027,546	7,735,736
	17,957,108	9,819,920

16 Financial assets at amortised cost/held to maturity investments/ debt securities classified as receivables

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Financial asset measured at amortised cost		
Debt securities issued by the following institutions in Mainland China		
– Government	5,304,862	—
– Banks and other financial institutions	6,931,580	—
– Corporations	5,707,878	—
Trust plans	10,167,688	—
Asset management plans	22,059,305	—
Wealth management products issued by other financial institutions	3,100,000	—
Asset-backed securities issued by bank and other institutions	1,160,926	—
	54,432,239	—
Less: Provision for impairment losses	(2,802,103)	—
	51,630,136	—
Analysed as:		
– Listed outside Hong Kong	14,654,040	—
– Unlisted outside Hong Kong	36,976,096	—
	51,630,136	—
Fair value	51,523,325	—

16 Financial assets at amortised cost/ held to maturity investments/ debt securities classified as receivables (continued)

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Held to maturity investments at amortised cost		
Debt securities issued by the following institutions in Mainland China		
– Government	–	2,370,315
– Banks and other financial institutions	–	4,479,509
– Corporations	–	1,700,000
Asset-backed securities issued by bank and other institutions	–	86,000
	–	8,635,824
Less: Provision for impairment losses	–	(19,860)
	–	8,615,964
Analysed as:		
Listed outside Hong Kong	–	8,529,964
Unlisted outside Hong Kong	–	86,000
	–	8,615,964
Fair value	–	8,439,667
Debt securities classified as receivables		
Trust plans	–	10,260,782
Asset management plans	–	33,556,159
Wealth management products issued by other financial institutions	–	6,492,000
	–	50,308,941
Less: Provision for impairment losses	–	(2,126,315)
	–	48,182,626
Analysed as:		
Unlisted outside Hong Kong	–	48,182,626

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

17 Interests receivables

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Interests receivables arising from:		
– Investments	622,257	652,220
– Loans and advances to customers	743,262	415,766
– Financial assets held under resale agreements	8,936	12,306
– Deposits and placements with banks and other financial institutions	111,451	175,008
– Deposits with the central bank	10,896	13,293
	1,496,802	1,268,593

18 Loans and advances to customers

(a) Analysed by nature

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Gross loans and advances to customers		
Corporate loans and advances	106,988,875	97,253,744
Personal loans and advances		
– Personal business loans	6,349,105	6,693,380
– Personal consumption loans	8,644,167	3,962,666
– Residential and commercial mortgage loans	9,379,177	3,982,054
	24,372,449	14,638,100
Discounted bills	18,771,675	18,391,798
	150,132,999	130,283,642
Less: Provision for impairment losses	(5,080,233)	(5,028,961)
	145,052,766	125,254,681

18 Loans and advances to customers (continued)

(b) Analysed by industry sector

	At June 30, 2018		
	Amount RMB'000 (Unaudited)	Percentage (Unaudited)	Loans and advances secured by collaterals RMB'000 (Unaudited)
Gross loans and advances to customers			
Corporate loans and advances			
– Wholesale and retail	22,331,502	14.87%	12,045,877
– Manufacturing	16,915,597	11.27%	6,895,775
– Real estate	12,946,020	8.62%	9,284,690
– Construction	9,187,966	6.12%	5,428,113
– Water, environment and public facility management	8,699,703	5.79%	2,046,794
– Agriculture, forestry, animal husbandry and fishery	8,470,018	5.64%	3,804,960
– Mining	7,794,822	5.19%	2,136,177
– Leasing and business services	5,865,035	3.91%	3,035,960
– Cultural, sports and entertainment	2,817,863	1.88%	1,121,896
– Accommodation and catering	2,549,555	1.70%	1,876,244
– Electricity, gas and water production and supply	2,423,561	1.61%	331,489
– Transportation, storage and postal services	1,726,933	1.15%	850,197
– Education	1,622,329	1.08%	41,537
– Health and social services	1,515,671	1.01%	176,300
– Scientific research, technical services and geological prospecting	911,940	0.61%	834,440
– Finance	600,000	0.40%	100,000
– Resident and other services	415,404	0.28%	137,903
– Information transmission, computer services and software	147,456	0.10%	77,932
– Public administration, social security and social organisations	47,500	0.03%	–
	106,988,875	71.26%	50,226,284

18 Loans and advances to customers (continued)

(b) Analysed by industry sector (continued)

	At June 30, 2018		
	Amount RMB'000 (Unaudited)	Percentage (Unaudited)	Loans and advances secured by collaterals RMB'000 (Unaudited)
Personal loans and advances	24,372,449	16.24%	11,086,240
Discounted bills	18,771,675	12.50%	—
	150,132,999	100%	61,312,524
Less: Provision for impairment losses	(5,080,233)		
	145,052,766		

18 Loans and advances to customers (continued)

(b) Analysed by industry sector (continued)

	At December 31, 2017		
	Amount RMB'000 (Audited)	Percentage (Audited)	Loans and advances secured by collaterals
			RMB'000
			(Audited)
Gross loans and advances to customers			
Corporate loans and advances			
– Wholesale and retail	18,232,392	13.99%	9,334,702
– Agriculture, forestry, animal husbandry and fishery	15,728,151	12.07%	5,251,893
– Manufacturing	15,743,284	12.08%	7,051,762
– Real estate	13,685,806	10.50%	12,177,921
– Construction	12,101,272	9.29%	7,199,645
– Mining	7,087,525	5.44%	1,821,125
– Water, environment and public facility management	3,133,170	2.41%	1,480,094
– Cultural, sports and entertainment	2,628,010	2.02%	1,995,813
– Electricity, gas and water production and supply	2,545,332	1.95%	771,012
– Leasing and business services	1,695,555	1.30%	1,451,980
– Education	1,384,642	1.06%	315,550
– Transportation, storage and postal services	1,173,820	0.90%	653,740
– Accommodation and catering	1,172,340	0.90%	863,122
– Health and social services	463,376	0.36%	35,500
– Resident and other services	224,364	0.17%	119,724
– Scientific research, technical services and geological prospecting	126,005	0.10%	55,535
– Information transmission, computer services and software	74,300	0.06%	25,200
– Public administration, social security and social organisations	51,400	0.04%	26,400
– Finance	3,000	0.00%	3,000
	97,253,744	74.64%	50,633,718

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

18 Loans and advances to customers (continued)

(b) Analysed by industry sector (continued)

	At December 31, 2017		
	Amount RMB'000 (Audited)	Percentage (Audited)	Loans and advances secured by collaterals RMB'000 (Audited)
Personal loans and advances	14,638,100	11.24%	7,762,188
Discounted bills	18,391,798	14.12%	—
	130,283,642	100.00%	58,395,906
Less: Provision for impairment losses	(5,028,961)		
	125,254,681		

(c) Analysed by type of collateral

	At June 30, 2018	At December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Gross loans and advances to customers		
Unsecured loans	18,708,744	12,763,254
Guaranteed loans	47,193,119	50,146,555
Collateralised loans	61,312,524	58,395,907
Pledged loans	22,918,612	8,977,926
	150,132,999	130,283,642
Less: Provision for impairment losses	(5,080,233)	(5,028,961)
	145,052,766	125,254,681

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

18 Loans and advances to customers (continued)

(d) Overdue loans analysed by overdue period

	At June 30, 2018				
	Overdue within three months (inclusive) RMB'000 (Unaudited)	Overdue more than three months to one year (inclusive) RMB'000 (Unaudited)	Overdue more than one year to three years (inclusive) RMB'000 (Unaudited)	Overdue more than three years RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Unsecured loans	72,921	28,355	5,068	7,041	113,385
Guaranteed loans	440,019	350,330	266,181	230,356	1,286,886
Collateralised loans	901,514	458,141	359,704	356,927	2,076,286
Pledged loans	379,801	295,410	84,215	123,703	883,129
	1,794,255	1,132,236	715,168	718,027	4,359,686
As a percentage of gross loans and advances to customers	1.20%	0.75%	0.57%	0.48%	2.90%

	At December 31, 2017				
	Overdue within three months (inclusive) RMB'000 (Audited)	Overdue more than three months to one year (inclusive) RMB'000 (Audited)	Overdue more than one year to three years (inclusive) RMB'000 (Audited)	Overdue more than three years RMB'000 (Audited)	Total RMB'000 (Audited)
Unsecured loans	38,555	8,766	9,149	11,066	67,536
Guaranteed loans	417,390	286,449	460,083	128,379	1,292,301
Collateralised loans	1,456,890	897,464	741,325	290,800	3,386,479
Pledged loans	129,286	328,499	145,485	17,150	620,419
	2,042,121	1,521,178	1,356,042	447,395	5,366,735
As a percentage of gross loans and advances to customers	1.57%	1.17%	1.04%	0.34%	4.12%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

18 Loans and advances to customers (continued)

(e) Loans and advances and provision for impairment losses

	At June 30, 2018			Total RMB'000 (Unaudited)
	Loans and advances that are assessed for 12m ECL ("Stage 1") RMB'000 (Unaudited)	Not credit-impaired loans and advances that are assessed for lifetime ECL ("Stage 2") RMB'000 (Unaudited)	Credit-impaired loans and advances that are assessed for lifetime ECL ("Stage 3") RMB'000 (Unaudited)	
Gross loans and advances to customers	139,704,061	7,712,573	2,716,365	150,132,999
Less: Provision for impairment losses	(2,661,377)	(822,492)	(1,596,364)	(5,080,233)
	137,042,684	6,890,081	1,120,001	145,052,766

Loans and advances and provision for impairment losses as at December 31, 2017 as below do not reflect the adoption of IFRS 9 and are not comparable to the loans and advances and provision for impairment losses as at June 30, 2018 which are disclosed on IFRS 9 basis as above.

18 Loans and advances to customers (continued)

(e) Loans and advances and provision for impairment losses (continued)

	At December 31, 2017					Gross impaired loans and advances as a percentage of gross loans and advances	
	Loans and advances for which provision are collectively assessed (Note (i)) RMB'000 (Audited)	Impaired loans and advances (Note (ii))			Subtotal RMB'000 (Audited)		Total RMB'000 (Audited)
		For which provision are collectively assessed	For which provision are individually assessed				
		RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)			
Gross loans and advances to customers	128,018,345	930,666	1,334,631	2,265,297	130,283,642	1.74%	
Less: Provision for impairment losses	(3,519,527)	(559,928)	(949,506)	(1,509,434)	(5,028,961)		
	124,498,818	370,738	385,125	755,863	125,254,681		

Notes:

- (i) These loans and advances include those which are graded normal or special-mention.
- (ii) Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the individually assessment methods.

18 Loans and advances to customers (continued)

(f) Movements of provision for impairment losses

The table below analyse the movement of the provision for impairment losses during the period per class of assets.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
At January 1, 2018	2,361,945	606,858	2,112,354	5,081,157
Change in the provision for impairment losses				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(49,010)	120,961	(71,951)	—
— Transfer to Stage 3	(15,265)	(24,383)	39,648	—
— Write-offs and others	—	—	(492,933)	(492,933)
— Charge to profit or loss	363,707	119,056	9,246	492,009
At June 30, 2018 (unaudited)	2,661,377	822,492	1,596,364	5,080,233

Movement of provision for impairment losses against loans and advances to customers during the year ended December 31, 2017 as below do not reflect the adoption of IFRS 9 and are not comparable to the provision for loans and advances to customers for the six months ended June 30, 2018 which are disclosed on IFRS 9 basis as above.

18 Loans and advances to customers (continued)

(f) Movements of provision for impairment losses (continued)

	Provision for loans and advances which are collectively assessed RMB'000	Provision for impaired loans and advances which are individually assessed RMB'000	Total RMB'000
At January 1, 2017	3,045,965	709,990	3,755,955
Impairment losses recognised			
Charge for the year	1,033,490	239,516	1,273,006
Reverse for the year	(10,500)	—	(10,500)
	1,022,990	239,516	1,262,506
Recoveries of loans and advances previously written off	10,500	—	10,500
At December 31, 2017 (Audited)	4,079,455	949,506	5,028,961

(g) Analysed by geographical sector

Geographically, the Group mainly conduct their businesses and most of their customers and assets are located in Gansu Province of the PRC.

(h) As at June 30, 2018 and December 31, 2017, part of the discounted bills were pledged as security for repurchase agreement as set out in Note 25(a).

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

19 Financial assets at fair value through profit or loss

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Financial assets held for trading (Note (i))	199,279	249,636
Trust plans	607,115	—
Asset management plans	28,006,082	—
Wealth management products issued by bank and other financial institutions	500,054	—
Investment funds	60,117	—
Financial assets designated at FVTPL (Note (ii))	1,456,417	—
	30,829,064	249,636
Analysed as:		
Listed outside Hong Kong	199,279	249,636
Unlisted outside Hong Kong	30,629,785	—
	30,829,064	249,636

Notes:

(i) Financial assets held for trading:

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Debt securities issued by the following institutions in Mainland China:		
— Banks and other financial institutions	49,698	—
— Corporations	149,581	249,636
	199,279	249,636

As at June 30, 2018, no financial assets at FVTPL were subject to material restrictions on the realisation (2017: nil).

The above debt securities traded on the China Interbank Bond Market are included in "Listed outside Hong Kong".

(ii) Financial assets designated at FVTPL

Financial assets designated at FVTPL mainly represented investments, financed by the proceeds raised from principal-guaranteed wealth management products issued by the Group.

20 Debt instruments at fair value through other comprehensive income/available-for-sale financial assets

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Debt instruments at FVTOCI		
Debt securities issued by the following institutions in Mainland China		
— Government	2,584,809	—
— Banks and other financial institutions	3,365,834	—
— Corporations	19,938	—
Trust plans	551,605	—
Asset management plans	699,454	—
	7,221,640	—
Analysed as:		
Listed outside Hong Kong	5,970,582	—
Unlisted outside Hong Kong	1,251,058	—
	7,221,640	—
Available-for-sale financial assets		
Debt securities issued by the following institutions in Mainland China		
— Government	—	2,621,959
— Banks and other financial institutions	—	4,615,162
— Corporations	—	368,645
Asset-backed securities issued by banks and other financial institutions in Mainland China	—	110,973
Trust plans	—	792,030
Asset management plans	—	3,510,178
Wealth management products issued by other financial institutions	—	730,157
Investment funds	—	298,131
		13,047,235
Equity investment measured at amortised cost	—	10,000
	—	13,057,235
Analysed as:		
Listed outside Hong Kong	—	7,716,739
Unlisted outside Hong Kong	—	5,340,496
	—	13,057,235

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

21 Interest in an associate

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Cost of investment in an associate, unlisted	3,000	3,000
Share of post-acquisition profits and other comprehensive income, net of dividends received	7,750	6,930
	10,750	9,930

As at June 30, 2018 and December 31, 2017, the Group had interests in the following associate:

Name of the bank	Form of entity	Country of establishment/operation	Class of shares held	Proportion of ownerships interests or participating shares held by the Group		Proportion of voting power held		Principal activity
				2017	2018	2017	2018	
Gansu Jingchuan	Established	PRC	Ordinary share	16.67%	16.67%	16.67%	16.67%	Corporate and retail bank

Note: This associate is directly held by the Bank. The Group is able to exercise significant influence in deciding the financial and operating policies over Gansu Jingchuan because it has the power to appoint a director of that company under the provisions stated in the Article of Association of Gansu Jingchuan.

21 Interest in an associate (continued)

The financial information and carrying amount, in aggregate, of the Group's interest in an associate that is not material and is accounted for using the equity method are set out below:

	At June 30, 2018 RMB'000 (Unaudited)	At June 30, 2017 RMB'000 (Audited)
The Group's share of profit and total comprehensive income for the period	820	865

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Carrying amount of the Group's interests in the immaterial associate	10,750	9,930

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

22 Property and equipment

	Construction in progress	Premises	Electronic equipment	Motor vehicles	Leasehold improvement	Computer software	Office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost								
At January 1, 2017	61,177	1,064,050	274,227	46,328	213,898	64,311	59,257	1,783,248
Additions	272,126	78	238,109	3,851	22,104	13,295	32,044	581,607
Transfers in/(out) of construction in progress	(12,865)	4,870	—	—	7,995	—	—	—
Disposals	—	(4,588)	(29,681)	(1,768)	—	(3,998)	(12,613)	(52,648)
At December 31, 2017 and January 1, 2018	320,438	1,064,410	482,655	48,411	243,997	73,608	78,688	2,312,207
Additions	1,048,750	—	2,306	—	16,782	93,428	435	1,161,701
Transfers in/(out) of construction in progress	(1,153,072)	1,153,072	—	—	—	—	—	—
Disposals	—	—	—	(737)	—	(348)	—	(1,085)
At June 30, 2018 (Unaudited)	216,116	2,217,482	484,961	47,674	260,779	166,688	79,123	3,472,823

22 Property and equipment (continued)

	Construction in progress RMB'000	Premises RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Computer software RMB'000	Office equipment RMB'000	Total RMB'000
Accumulated depreciation and impairment								
At January 1, 2017	—	94,496	133,140	29,843	44,437	27,213	25,850	354,979
Provided for the year	—	56,074	71,727	7,700	41,030	16,496	20,592	213,619
Impairment loss recognised	—	634	—	—	—	—	—	634
Eliminated on disposals	—	(3,299)	(3,320)	(1,135)	—	(1,001)	(1,110)	(9,865)
At December 31, 2017 and January 1, 2018	—	147,905	201,547	36,408	85,467	42,708	45,332	559,367
Provided for the period	—	24,679	60,240	2,774	45,759	8,290	5,285	147,027
Eliminated on disposals	—	—	—	(716)	—	(2)	—	(718)
At June 30, 2018 (Unaudited)	—	172,584	261,787	38,466	131,226	50,996	50,617	705,676
Carrying value								
At June 30, 2018 (Unaudited)	216,116	2,044,898	223,174	9,208	129,553	115,692	28,506	2,767,147
At December 31, 2017 (Audited)	320,438	916,505	281,108	12,003	158,530	30,900	33,356	1,752,840

22 Property and equipment (continued)

At June 30, 2018, the carrying values of premises of which title deeds were not yet finalised by the Group were approximately RMB1,929,832,000 (2017: approximately RMB848,659,000). Among them, the carrying values of premises that the Group has obtained housing property title certificates issued by the authorities but no land use right certificates were approximately RMB54,834,000 (2017: approximately RMB66,182,000).

The aforementioned premises are located in PRC with medium term leases (10–50 years).

23 Deferred tax assets

The following is an analysis of the deferred tax balances for financial reporting purposes:

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Deferred tax assets	1,646,252	1,465,662
Deferred tax liabilities	(48,820)	—
	1,597,432	1,465,662

23 Deferred tax assets (continued)

The following are the major deferred tax assets/(liabilities) recognised and movements thereon in the six months ended June 30, 2018 and the year ended December 31, 2017:

	Provision for impairment losses on assets RMB'000 Note (i)	Net losses/ (gains) from fair value changes of financial instruments RMB'000 Note (ii)	Salaries, bonuses and allowances payable RMB'000	Others RMB'000	Net balance of deferred tax assets RMB'000
At January 1, 2017	1,168,694	11,497	32,827	233	1,213,251
Credit/(charge) to profit or loss	232,633	(2,450)	(9,158)	(233)	220,792
Credit/(charge) to other comprehensive income	—	32,727	(1,108)	—	31,619
At December 31, 2017 (Audited)	1,401,327	41,774	22,561	—	1,465,662
Change in accounting policy (note 3)	184,771	(13,359)	—	—	171,412
At January 1, 2018	1,586,098	28,415	22,561	—	1,637,074
Credit/(charge) to profit or loss	36,468	(61,112)	805	—	(23,839)
Credit/(charge) to other comprehensive income	—	(16,123)	320	—	(15,803)
At June 30, 2018 (Unaudited)	1,622,566	(48,820)	23,686	—	1,597,432

Notes:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets as at June 30, 2018 and December 31, 2017. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets as at June 30, 2018 and December 31, 2017, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

24 Other assets

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Other receivables and prepayments (Note (i))	642,332	1,324,824
Clearance of inter-bank accounts	—	3,513
Deposits paid for acquisitions of premises	246,747	204,264
Land use right (Note (ii))	28,290	28,946
Long term deferred expense	3,824	11,058
Intangible assets (Note (iii))	1,423	1,582
Other	200	200
	922,816	1,574,387

Notes:

(i) Other receivables and prepayments:

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Other receivables and prepayments	661,668	1,341,748
Less: Provision for impairment losses	(19,336)	(16,924)
	642,332	1,324,824

Movements of allowance for impairment loss:

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
At the beginning of the period/year	16,924	1,237
Impairment losses recognised	2,412	15,687
At the end of the period/year	19,336	16,924

24 Other assets (continued)

Notes: (Continued)

(ii) Movements of land use rights:

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Cost		
At the beginning of the period/ year and at the end of the period/year	34,415	34,415
Accumulated amortisation		
At the beginning of the year	5,469	2,591
Amortisation for the period/ year	656	2,878
At the end of the period/ year	6,125	5,469
Carrying amounts		
At the end of the period/ year	28,290	28,946

These lands are located in the PRC with medium term leases (10–50 years).

(iii) Movements of intangible assets:

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Cost		
At the beginning of the period/year	5,002	600
Additions	71	4,402
At the end of the period/ year	5,073	5,002
Accumulated amortisation		
At the beginning of the period/year	3,420	520
Amortisation for the period/year	230	2,900
At the end of the period/year	3,650	3,420
Carrying amounts		
At the end of the period/ year	1,423	1,582

These intangible assets mainly included trademark which are amortised over 1–5 years.

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

25 Pledged assets

(a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include discounted bills and debt securities, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at June 30, 2018 are approximately RMB10,287,844,000 (2017: approximately RMB13,502,112,000).

(b) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions.

26 Borrowings from the central bank

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Borrowings	8,420,000	4,450,000
Re-discounted bills	1,206,898	840,410
	9,626,898	5,290,410

27 Deposits from banks and other financial institutions

Analysed by type and location of counterparty

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Deposits from the following institutions operating in Mainland China		
— Banks	19,412,000	13,639,682
— Other financial institutions	13,103,339	6,189,315
	32,515,339	19,828,997
Deposits from the following institutions operating outside Mainland China		
— Banks	693,681	349,376
	33,209,020	20,178,373

28 Placements from banks and other financial institutions

Analysed by type and location of counterparty

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Placements from the following institutions operating in Mainland China		
– Banks	4,078,000	1,050,000

29 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
In Mainland China		
– Banks	1,923,427	5,817,526

(b) Analysed by collateral

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Debt securities	1,089,978	3,439,800
Discounted bills	833,449	2,377,726
	1,923,427	5,817,526

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

30 Deposits from customers

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Demand deposits		
— Corporate customers	60,676,064	67,636,099
— Individual customers	23,122,517	22,077,280
	83,798,581	89,713,379
Time deposits		
— Corporate customers	16,165,827	14,793,171
— Individual customers	68,549,157	59,921,755
	84,714,984	74,714,926
Pledged deposits		
— Acceptances	18,592,337	15,462,321
— Guarantees and letters of guarantees	148,872	85,928
— Others	2,119,029	1,899,067
	20,860,238	17,447,316
Others	8,874,870	10,354,982
	198,248,673	192,230,603

31 Accrued staff costs

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Salary and bonus payable	275,715	324,158
Social pension schemes payable	25,118	16,214
Other social insurances payable	31,122	19,646
Supplementary retirement benefits payable	30,780	27,230
Other long-term staff welfare payable	10,140	11,230
	372,875	398,478

32 Interests payable

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Deposits from customers	4,474,546	3,844,738
Deposits from banks and other financial institutions	598,625	301,835
Deposits from central bank	14,101	4,347
Debts securities issued	192,061	141,099
Others	7,334	13,441
	5,286,667	4,305,460

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

33 Debt securities issued

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Fixed rates financial bonds (Note (i))	5,995,345	4,496,189
Fixed rate tier-two capital bonds issued (Note (ii))	3,193,139	3,191,851
Interbank deposits (Note (iii))	25,557,770	16,272,719
	34,746,254	23,960,759

Notes:

(i) Fixed rates financial bonds

- (a) Fixed rates financial bonds for "agriculture, rural, and farmers" (the first tranche) at a face value of RMB1,000,000,000 with a term of three years were issued on March 10, 2017. The coupon rate is 4.67%. The effective interest rate per annum on the Group's fixed rate financial bonds issued is 4.71%. As at June 30, 2018, the outstanding balance of this fixed rate financial bonds issued is approximately RMB999,418,000 (2017: RMB999,157,000).
- (b) Fixed rate financial bonds at a face value of RMB1,000,000,000 with a term of five years were issued on April 19, 2017. The coupon rate is 5.00%. The effective interest rate per annum on the Group's fixed rate financial bonds issued is 5.02%. As at June 30, 2018, the outstanding balance of this fixed rate financial bonds issued is approximately RMB999,227,000 (2017: RMB999,174,000).
- (c) Fixed rate green financial bonds at a face value of RMB1,000,000,000 with a term of three years were issued on May 23, 2017. The coupon rate is 4.90%. The effective interest rate per annum on the Group's fixed rate financial bonds issued is 4.94%. As at June 30, 2018, the outstanding balance of this fixed rate financial bonds issued is approximately RMB999,264,000 (2017: RMB999,088,000).
- (d) Fixed rate financial bonds for the "three rurals" (the second tranche) at a face value of RMB1,500,000,000 with a term of three years were issued on August 10, 2017. The coupon rate is 4.85%. The effective interest rate per annum on the Group's fixed rate financial bonds issued is 4.89%. As at June 30, 2018, the outstanding balance of this fixed rate financial bonds issued is approximately RMB1,498,936,000 (2017: RMB1,498,770,000).
- (e) Fixed rate financial bonds for the "three rurals" (the first tranche) at a face value of RMB1,500,000,000 with a term of three years were issued on May 25, 2018. The coupon rate is 4.87%. The effective interest rate per annum on the Group's fixed rate financial bonds issued is 4.88%. As at June 30, 2018, the outstanding balance of this fixed rate financial bonds issued is approximately RMB1,498,500,000 (2017: nil).

33 Debt securities issued (continued)

Notes: (continued)

(ii) Fixed rate tier-two capital bonds issued

Fixed rate tier-two capital bonds at a face value of RMB3,200,000,000 with a term of ten years were issued on December 11, 2015. The coupon rate is 5.10%. The Group has an option to redeem the debts on December 11, 2020 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 5.20%. As at June 30, 2018, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB3,193,139,000 (2017: approximately RMB3,191,851,000).

(iii) Interbank deposits

(a) During the six months ended June 30, 2018, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB22,950,000,000 and duration between 1 month to 1 year. As at June 30, 2018, the outstanding balance of interbank deposits issued is approximately RMB25,557,770,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 4.4% to 5.35%.

(b) During the year ended December 31, 2017, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB44,980,000,000 and duration between 1 month to 1 year. As at December 31, 2017, the outstanding balance of interbank deposits issued is approximately RMB16,272,719,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 3.10% to 5.31%.

34 Other liabilities

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Other payable and accrued expenses	628,770	383,096
Clearance of inter-bank accounts	547,366	78,414
Agency business liabilities	34,065	34,038
Dividend payable	8,626	8,701
Other tax payables	172,049	106,364
Fiscal deposits	33,782	74,991
Provision for bank acceptances and letters of guarantees	58,955	—
Others	32,973	44,509
	1,516,586	730,113

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

35 Share capital

Share capital as at June 30, 2018 and December 31, 2017 are as follows:

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Registered, issued and fully paid ordinary shares of RMB1 each:		
– Ordinary shares	10,069,791	7,525,991
At the beginning of the period/ year	7,525,991	7,525,991
Issuance of shares (Notes i)	2,543,800	–
At the end of the period/ year	10,069,791	7,525,991

Note:

- (i) On January 18, 2018, the Bank's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 2139). The total number of H shares issued globally was 2,543,800,000 (including an over-allotment of 331,800,000 H-shares issued on February 5, 2018) at par value RMB 1 per share were issued at an offer price of HK\$2.69 per share. Total gross proceeds from the share issuance amounted to approximately RMB5,602,442,000 (equivalent to HK\$6,842,822,000) giving rise to share premium approximately RMB3,058,642,000 credit to capital reserve. Share issuance expenses approximately RMB168,487,000 was debited to capital reserve.

A summary of movements of the Bank's issued shares (in thousands of shares) during the period is as follows:

	As at January 1,	2018 Issuance	As at June 30,
Shareholders:			
Domestic shareholders	7,525,991	–	7,525,991
H shareholders	–	2,543,800	2,543,800
	7,525,991	2,543,800	10,069,791

36 Reserves

(a) Capital reserve

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Share premium	4,339,584	1,449,429
Shareholders' injection (Note)	317,676	317,676
Changes in ownership in a subsidiary without change in control	554	554
	4,657,814	1,767,659

Note: The promoters of the additional shares issued during the Bank's restructuring injected the Bank's net proceeds received from the disposal of non-performing assets which were entrusted to be managed by the Bank. Up to June 30, 2018, approximately RMB317,676,000 has been recorded as capital reserve (2017: approximately RMB317,676,000).

(b) Surplus reserve

The surplus reserve at June 30, 2018 and December 31, 2017 represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund of the Group as at June 30, 2018 were approximately RMB1,166,931,000 (2017: approximately RMB892,953,000), while other surplus reserve were approximately nil as at June 30, 2018 (2017: nil).

(c) General reserve

With effect from July 1, 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Group is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

37 Dividends

No dividend was paid or proposed during the six months ended June 30, 2018 and 2017 nor has any dividend been proposed since the end of the reporting period.

38 Structured entities

(a) Consolidated structured entities

The consolidated structured entities of the Group mainly include principal-guaranteed wealth management products sponsored by the Bank. As at June 30, 2018, the amount of assets held by the consolidated principal-guaranteed wealth management products sponsored by the Bank amounted to approximately RMB1,428,114,000 (2017: approximately RMB625,800,000).

(b) Unconsolidated structured entities

(i) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include trust fund plans, asset management plans, wealth management products issued by other financial institutions and investment funds.

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at June 30, 2018 and December 31, 2017:

	At June 30, 2018				
	Financial assets at FVTPL RMB'000 (Unaudited)	Debt instruments at FVTOCI RMB'000 (Unaudited)	Financial assets at amortised cost RMB'000 (Unaudited)	Carrying amount RMB'000 (Unaudited)	Maximum exposure RMB'000 (Unaudited)
Trust plans	607,115	551,605	9,534,824	10,693,544	10,693,544
Asset management plans	28,006,082	699,454	19,933,409	48,638,945	48,638,945
Wealth management products issued by bank and other financial institutions	500,054	—	3,099,982	3,600,036	3,600,036
Asset-backed securities issued by bank and other financial institutions	—	—	1,160,926	1,160,926	1,160,926
Investment funds	60,117	—	—	60,117	60,117
	29,173,368	1,251,059	33,729,141	64,153,568	64,153,568

38 Structured entities (continued)

(b) Unconsolidated structured entities (continued)

(i) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)

	At December 31, 2017			
	Available-for-sale financial assets RMB'000 (Audited)	Debt securities classified as receivables RMB'000 (Audited)	Carrying amount RMB'000 (Audited)	Maximum exposure RMB'000 (Audited)
Trust plans	792,030	9,904,719	10,689,249	10,689,249
Asset management plans	3,510,178	31,785,907	35,303,585	35,303,585
Wealth management products issued by other financial institutions	730,157	6,492,000	7,222,157	7,222,157
Investment funds	308,131	—	308,131	308,131
	5,340,496	48,182,626	53,523,122	53,523,122

(ii) Structured entities sponsored by the Group which the Group do not consolidate but holds an interest in as at June 30, 2018 and December 31, 2017:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at June 30, 2018, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material in the consolidated statements of financial positions.

As at June 30, 2018, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are approximately RMB19,551,657,000 (2017: approximately RMB19,961,511,000).

(iii) Unconsolidated structured entities sponsored by the Group during the year which the Group do not have an interest in as at June 30, 2018 and December 31, 2017:

During the six months ended June 30, 2018, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before June 30 amounted to RMB7,015,549,000.

During the year ended December 31, 2017, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before December 31 amounted to RMB16,423,345,000.

39 Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the China Banking Regulatory Commission ("CBRC"). The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

Since January 1, 2013, the Group started computing its capital adequacy ratios in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's interim financial statements prepared in accordance with PRC GAAP. During the period/ year ended June 30, 2018 and December 31, 2017 the Group has complied with all its externally imposed capital requirements.

39 Capital management (continued)

The Group's capital adequacy ratios as at June 30, 2018 and December 31, 2017 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the CBRC are as follows:

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Total core tier-one capital		
Share capital	10,069,791	7,525,991
Qualifying portion of capital reserve	4,657,814	1,767,659
Defined benefit plan reserve	(1,704)	(744)
Investment revaluation reserve	55,919	(125,323)
Surplus reserve	1,166,931	892,953
General reserve	3,631,670	3,631,670
Retained earnings	4,208,458	2,889,067
Qualifying portions of non-controlling interests	17,638	17,374
Core tier-one capital deductions (Note)	(117,115)	(32,482)
Net core tier-one capital	23,689,402	16,566,165
Eligible portion of non-controlling interests	2,352	2,316
Net tier-one capital	23,691,754	16,568,481
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	3,193,139	3,191,851
Surplus provision for loan impairment	2,461,799	2,187,085
Eligible portion of non-controlling interests	4,704	4,633
Net capital base	29,351,396	21,952,050
Total risk weighted assets	216,643,477	190,251,575
Core tier-one capital adequacy ratio	10.93%	8.71%
Tier-one capital adequacy ratio	10.93%	8.71%
Capital adequacy ratio	13.55%	11.54%

Note:

Core tier-one capital deductions primarily include other intangible assets excluding land use rights and deferred tax assets recognised for tax losses.

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

40 Cash and cash equivalents

Cash and cash equivalents include the following balances with an original maturity of less than three months:

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Cash on hand	545,918	492,372
Deposits with the central bank	7,030,590	3,521,880
Deposits with banks	17,428,872	3,386,710
Financial assets held under resale agreements	17,957,108	9,819,920
Total	42,962,488	17,220,882

41 Related parties relationships and transactions

(a) Related parties

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	At June 30, 2018 (Unaudited)	At December 31, 2017 (Audited)
Gansu Province Highway Aviation Tourism Investment Group Co., Ltd.	15.38%	15.38%
Baoshang Bank Co., Ltd.	11.23%	11.23%
Jiuquan Iron & Steel (Group) Co., Ltd.	8.42%	8.42%
Gansu Province Electric Power Investment Group Co., Ltd.	8.42%	8.42%
Jinchuan Group Co., Ltd.	8.42%	8.42%

41 Related parties relationships and transactions (continued)

(a) Related parties (continued)

(ii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 41(a)(i) or their controlling shareholders. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

(b) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and subsidiary

The subsidiary of the Bank is its related parties. The transactions between the Bank and its subsidiary and among the subsidiary are eliminated on consolidation and therefore are not disclosed in this note.

(ii) Transactions between the Group and associate

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Transaction during the period/ year		
Interest income	—	347

(iii) Transactions between the Group and major shareholders

	Six months ended June 30,	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Transactions during the period		
Interest income	65,923	23,589
Interest expense	281	54,752

41 Related parties relationships and transactions (continued)

(b) Transactions with related parties other than key management personnel (continued)

(iii) Transactions between the Group and major shareholders (continued)

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Balances at end of the period/ year		
Loans and advances to customers	600,000	600,000
Interests receivable	725	798
Deposits from customers	1,451,842	548,003
Deposits from banks and other financial institutions	—	770,000
Interests payable	88,378	237

(iv) Transactions between the Group and other related parties:

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Transactions during the period		
Interest income	157,691	33,321
Interest expense	6,242	2,554

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Balances at end of the period/ year		
Loans and advances to customers	3,862,430	2,619,075
Interests receivables	7,273	4,043
Deposits from customers	4,174,959	687,316
Deposits from banks and other financial institutions	130,934	7,422
Interests payable	105,066	8,037

41 Related parties relationships and transactions (continued)

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, board of directors, the supervisory board and executive officers.

(i) Transactions between the Group and key management personnel

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Transactions during the period		
Interest income	50	—
Interest expense	—	3

	At June 30,	At December 31,
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Balances at end of the period/ year		
Deposits from customers	2,058	4,705
Loan and advance to customer	446	465
Interests payable	32	20

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Fees	369	284
Salaries and allowances	1,639	1,525
Retirement benefits scheme contributions	328	278
Discretionary bonuses	150	242
	2,486	2,329

(d) Loans and advances to directors, supervisors and officers

During the six months ended June 30, 2018, there is no loans and advances to directors, supervisors and officers of the Group (2017: nil).

42 Segment reporting

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services and remittance services.

Financial market operations

This segment covers the Group's financial market operations. The financial market operations enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The financial market segment also covers management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/(expense)".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and expenses are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, land use rights and other long-term assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

42 Segment reporting (continued)

(a) Segment results, assets and liabilities

	Six months ended June 30, 2018				
	Corporate banking RMB'000 (Unaudited)	Retail banking RMB'000 (Unaudited)	Financial market operations RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Operating income					
External net interest income/(expense)	2,744,282	(562,527)	1,475,802	—	3,657,557
Internal net interest (expense)/income	(615,405)	1,038,250	(422,845)	—	—
Net interest income	2,128,877	475,723	1,052,957	—	3,657,557
Net fee and commission income	54,802	11,740	58,439	2,848	127,829
Net trading gains	—	—	434,740	—	434,740
Net gains arising from investment securities	—	—	2,442	—	2,442
Foreign exchange loss	—	—	—	168,943	168,943
Other operating income, net	—	—	—	11,521	11,521
Operating income	2,183,679	487,463	1,548,578	183,312	4,403,032
Operating expenses	(423,266)	(90,674)	(451,361)	(21,994)	(987,295)
Impairment losses on assets	(319,841)	(172,168)	36,682	(17,316)	(472,643)
Operating profit	1,440,572	224,621	1,133,899	144,002	2,943,094
Share of profits of associates	—	—	—	820	820
Profit before tax	1,440,572	224,621	1,133,899	144,822	2,943,914
Segment assets	104,349,984	24,280,702	182,803,139	92,954	311,526,779
Deferred tax assets	—	—	—	1,646,252	1,646,252
Total assets	104,349,984	24,280,702	182,803,139	1,739,206	313,173,031
Segment liabilities	98,989,968	95,363,318	94,896,973	48,558	289,298,817
Deferred tax liabilities	—	—	—	48,820	48,820
Dividend payable	—	—	—	8,626	8,626
Total liabilities	98,989,968	95,363,318	94,896,973	106,004	289,356,263
Other segment information					
— Depreciation and amortisation	76,945	17,176	54,566	6,460	155,147
— Capital expenditure	576,179	128,621	408,604	48,368	1,161,772

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

42 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	Six months ended June 30, 2017				
	Corporate banking RMB'000 (Audited)	Retail banking RMB'000 (Audited)	Financial market operations RMB'000 (Audited)	Others RMB'000 (Audited)	Total RMB'000 (Audited)
Operating income					
External net interest income/(expense)	2,379,791	(842,101)	2,212,909	—	3,750,599
Internal net interest (expense)/income	(351,598)	1,210,958	(859,360)	—	—
Net interest income	2,028,193	368,857	1,353,549	—	3,750,599
Net fee and commission income/(expense)	83,619	1,194	125,163	14,535	224,511
Net trading losses	—	—	(3,930)	—	(3,930)
Foreign exchange gains	—	—	—	(4,658)	(4,658)
Other operating income, net	—	—	—	84,002	84,002
Operating income	2,111,812	370,051	1,474,782	93,879	4,050,524
Operating expenses	(439,097)	(76,943)	(306,643)	(19,520)	(842,203)
Impairment losses on assets	(331,816)	(80,710)	(76,843)	(7,754)	(497,123)
Operating profit	1,340,899	212,398	1,091,296	66,605	2,711,198
Share of profits of associates	—	—	—	865	865
Profit before tax	1,340,899	212,398	1,091,296	67,470	2,712,063
Other segment information					
— Depreciation and amortisation	58,490	10,249	40,849	2,600	112,188
— Capital expenditure	56,211	9,850	39,255	2,498	107,814

42 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	As at December 31, 2017				
	Corporate banking RMB'000 (Audited)	Retail banking RMB'000 (Audited)	Financial market operations RMB'000 (Audited)	Others RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	95,401,308	14,576,563	159,634,750	69,334	269,681,955
Deferred tax assets	—	—	—	1,465,662	1,465,662
Total assets	95,401,308	14,576,563	159,634,750	1,534,996	271,147,617
Segment liabilities	111,026,341	85,934,437	57,087,564	477,535	254,525,877
Dividend payable	—	—	—	8,701	8,701
Total liabilities	111,026,341	85,934,437	57,087,564	486,236	254,534,578

(b) Geographical information

No geographical information is presented as most of the Group's operations are conducted in Gansu Province of the PRC and all non-current assets are located and therefore revenue is derived from activities in Gansu Province of the PRC.

(c) Information about major customers

During the six months ended June 30, 2018 and 2017, no operating income from a customer contributes over 10% of the total operating income of the Group.

43 Fair value of financial instruments

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of policy models or discounted cash flows.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at June 30, 2018 and December 31, 2017.

43 Fair value of financial instruments (continued)

(a) Methods and assumptions for measurement of fair value (continued)

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on the present value of estimated future cash flows at June 30, 2018 and December 31, 2017. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at June 30, 2018 and December 31, 2017.

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Available for sale equity investment is stated as cost less impairment losses. Available-for-sale debt investments, debt instrument at fair value through other comprehensive income and financial assets at fair value through profit or loss are stated at fair value.

The carrying amount and fair value of financial assets at amortised cost and held-to-maturity investments are disclosed in Note 16 and the carrying value of debt securities classified as receivables approximate to their fair value.

(ii) Financial liabilities

The Group's financial liabilities mainly include deposits from banks and other financial institutions, deposits from customers and debts securities issued.

43 Fair value of financial instruments (continued)

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the consolidated statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3:	Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

43 Fair value of financial instruments (continued)

(c) Fair value hierarchy (continued)

	At June 30, 2018			
	Level 1	Level 2	Level 3	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Assets				
Financial assets at FVTPL				
— debt securities held for trading	—	199,279	—	199,279
— trust plans	—	607,115	—	607,115
— asset management plans	—	28,006,082	—	28,006,082
— wealth management products issued by bank and other financial institutions	—	500,054	—	500,054
— investment funds	—	60,117	—	60,117
— financial assets designated at FVTPL	—	1,456,417	—	1,456,417
Debt instruments at FVOCI				
— debt securities	—	5,970,581	—	5,970,581
— asset management plans	—	551,605	—	551,605
— wealth management products issued by other financial institutions	—	699,454	—	699,454
	—	38,050,704	—	38,050,704
	At December 31, 2017			
	Level 1	Level 2	Level 3	Total
	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)
Assets				
Financial assets at FVTPL				
— debt securities held for trading	—	249,636	—	249,636
Available-for-sale financial assets				
— debt securities	—	7,605,766	—	7,605,766
— asset-backed securities	—	110,973	—	110,973
— trust plans	—	792,030	—	792,030
— asset management plans	—	3,510,178	—	3,510,178
— wealth management products issued by other financial institutions	—	730,157	—	730,157
— investment funds	—	298,131	—	298,131
	—	13,296,871	—	13,296,871

During the six months ended June 30, 2018, there were no significant transfers among each level (2017: nil).

43 Fair value of financial instruments (continued)

(c) Fair value hierarchy (continued)

- (i) The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available. The main parameters used in valuation techniques for financial instruments held by the Bank include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are basically observable and obtainable from open market.
- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below:

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	Fair value as at, June 30, 2018	December 31, 2017		
	RMB'000	RMB'000		
Financial assets at FVTPL				
Debt securities — listed	199,279	249,636	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model
Trust plans	607,115	—	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses
Asset management plans	28,006,082	—	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses
Wealth management products issued by other financial institutions	500,054	—	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses
Investment funds	60,117	—	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses

43 Fair value of financial instruments (continued)

(c) Fair value hierarchy (continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (continued)

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	Fair value as at, June 30, 2018	December 31, 2017		
	RMB'000	RMB'000		
Financial assets designated at FVTPL	1,456,417		— Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses
Debt instruments at FVOCI				
Debt securities - listed	5,970,581		— Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model
Asset management plans	551,605		— Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses
Wealth management products issued by other financial institutions	699,454		— Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses
Available-for-sale financial assets				
Debt securities — listed	—	7,605,766	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model

43 Fair value of financial instruments (continued)

(c) Fair value hierarchy (continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (continued)

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	Fair value as at, June 30, 2018	December 31, 2017		
	RMB'000	RMB'000		
Asset-back securities — listed	—	110,973	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model
Trust plans	—	792,030	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses
Asset management plans	—	3,510,178	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses
Wealth management products issued by other financial institutions	—	730,157	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses
Investment funds	—	298,131	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses

44 Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the consolidated statements of financial position. Surplus funding is accounted for as deposits from customers.

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Entrusted loans	3,631,778	3,462,418
Entrusted funds	3,631,778	3,462,418

45 Commitments

(a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, bank acceptances, letters of credit and financial guarantees.

The Group provides financial guarantees to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Loan commitments	20,000	24,000
Acceptances	33,233,587	29,352,762
Letters of guarantees	554,932	516,209
	33,808,519	29,892,971

The Group may be exposed to credit risk in all the above credit businesses. Group management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

45 Commitments (continued)

(b) Operating lease commitments

As at June 30, 2018 and December 31, 2017, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

The Group as lessee

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Within one year	154,390	150,123
In the second to fifth years inclusive	273,927	198,409
Over five years	16,891	24,415
	445,208	372,947

(c) Capital commitments

At June 30, 2018 and December 31, 2017, the Group's authorised capital commitments are as follows:

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Purchase of property and equipment		
— Contracted for but not provided	73,540	298,819

46 Contingent liabilities

The Bank and its subsidiary are involved as defendants in certain lawsuits arising from their normal business operations. As at June 30, 2018, in light of court decisions or advice from legal counsels, the directors of the Bank considered it not necessary to provide for potential losses from these claims. The directors of the Bank believe, based on legal advices, the final result of the lawsuits will not have any material impact on the financial position or operations of the Group.

Chapter 9

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

47 Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Non-cash change			
	At January 1, 2018 RMB'000 (Unaudited)	Financing cash flows RMB'000 (Unaudited)	Finance cost incurred RMB'000 (Unaudited)	At June 30, 2018 RMB'000 (Unaudited)
Liabilities				
Debt securities issued (Note 33)	23,960,759	10,225,588	559,907	34,746,254
Dividend payable	8,701	(75)	—	8,626
Interests payable on debt securities issued (Note 32)	141,099	(143,708)	194,670	192,061
	24,110,559	10,081,805	754,577	34,946,941

	Non-cash change			
	At January 1, 2017 RMB'000 (Audited)	Financing cash flows RMB'000 (Audited)	Finance cost incurred RMB'000 (Audited)	At June 30, 2017 RMB'000 (Audited)
Liabilities				
Debt securities issued	10,134,895	11,016,705	304,817	21,456,417
Interests payable on debt securities issued	9,390	(3,108)	112,750	119,032
	10,144,285	11,013,597	417,567	21,575,449

Chapter 10

Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

The information contained below does not constitute a part of the consolidated financial statements and the relevant information is for reference only.

1. Liquidity coverage ratio and leverage ratio (%)

	At June 30, 2018	Average for the six months ended June 30, 2018
Liquidity coverage ratio (RMB and foreign currency)	174.70%	176.33%

	At December 31, 2017	Average for the year ended December 31, 2017
Liquidity coverage ratio (RMB and foreign currency)	159.47%	162.77%

Leverage Ratio

	At June 30, 2018
Leverage Ratio	6.82%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBIRC and effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

Chapter 10

Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Currency concentrations

	At June 30, 2018		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	4,733,317	1,485,548	6,218,865
Spot liabilities	(4,012)	(42,461)	(46,473)
Net position	4,729,305	1,443,087	6,172,392

	At December 31, 2017		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	205,376	255,331	460,707
Spot liabilities	(7,022)	(68,201)	(75,223)
Net position	198,354	187,130	385,484

The above information is computed in accordance with the provisions of the CBIRC. The Group has no structural position as of the end of each reporting period.

3. International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, deposits with the central bank, amounts due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At June 30, 2018	At December 31, 2017
Deposit with banks		
Asia Pacific excluding Mainland China	2,537,209	117,796
	2,537,209	117,796

4. Loans and advances overdue for more than 90 days by geographical segments

	At June 30, 2018	At December 31, 2017
Gansu Region	2,415,390	3,168,062
Mainland China excluding Gansu Region	150,040	156,553
Total	2,565,430	3,324,615

(Amounts in thousands of Renminbi, unless otherwise stated)

5. Gross amount of loans and advances overdue for more than 90 days

	At June 30, 2018	At December 31, 2017
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– Between three months and six months (inclusive)	344,268	584,606
– Between six months and one year (inclusive)	787,968	936,572
– Between one year and three years	715,168	1,356,042
– Over three years	718,027	447,395
Total	2,565,431	3,324,615


	At June 30, 2018	At December 31, 2017
As a percentage of gross loans and advances		
– Between three months and six months (inclusive)	0.23%	0.45%
– Between six months and one year (inclusive)	0.52%	0.72%
– Between one year and three years	0.48%	1.04%
– Over three years	0.48%	0.34%
Total	1.71%	2.55%


Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.


6. Mainland China non-bank risk exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. At June 30, 2018 and December 31, 2017, substantial amounts of the Bank's exposures arose from business with mainland China entities or individuals.



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