Web Proof Information Pack of

Huishang Bank Corporation Limited*
徽商銀行股份有限公司*

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

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

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This Web Proof Information Pack contains the following information relation to Huishang Bank Corporation Limited extracted from a draft document:

YOU SHOULD READ THE SECTION HEADED "WARNING" ON THE COVER OF THIS WEB PROOF INFORMATION PACK.

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this document.

OVERVIEW

We are the largest city commercial bank in Central China as measured by total assets, loans and deposits. We were established in 2005 through a merger of all the city commercial banks and urban credit cooperatives in Anhui. As of December 31, 2012, we had total assets of RMB324.2 billion, total loans of RMB163.8 billion and total deposits of RMB239.5 billion, each ranking No. 1 among city commercial banks in Central China; we were also the No. 4 city commercial bank in China by total loans and total deposits and the No. 7 city commercial bank in China by total assets.

Our primary business is commercial banking, which consists of corporate banking, retail banking and treasury operations. Our corporate banking business offers a wide range of products and services, such as corporate loans, corporate deposits, bill discounting and fee- and commission-based services. Our retail banking business offers a diverse portfolio of products and services, such as retail loans, retail deposits, bank cards and wealth management services. Our treasury operations primarily include inter-bank money market transactions, investment and trading activities and transactions on behalf of customers.

We have consistently achieved market-leading profitability. From 2010 to 2012, our net profit increased from RMB2,702 million to RMB4,306 million at a CAGR of 26.2%, higher than the average CAGR of 25.9% of the Hong Kong-listed Chinese Commercial Banks. Our ROAA from 2010 to 2012 was consistently higher than the ROAA of each of the Listed Chinese Commercial Banks, and our ROAE was also higher than the ROAE of most of these banks. In 2012, our ROAA was 1.48% and our ROAE was 22.93%.

We have continually maintained solid asset quality. From 2010 to 2012, we outperformed all the Hong Kong-listed Chinese Commercial Banks in terms of non-performing loan ratio and allowance to non-performing loan ratio. As of December 31, 2012, our non-performing loan ratio was 0.58%, lower than the average 0.81% for all Chinese city commercial banks; our allowance to non-performing loan ratio was 406.00%, higher than the average 332.15% for all Chinese city commercial banks.

We are dedicated to serving local customers, with a focus on SMEs. Benefiting from our long-term commitment to deeply penetrating the Anhui market, we have built a broad SME customer base and a branch network strategically aligned with the regional economy. As of June 30, 2013, our 199 outlets covered all of Anhui's 16 municipalities as well as the adjacent Nanjing, Jiangsu Province. We are one of Anhui's market leaders in SME business. Our SME loans grew at a CAGR of 12.7% from 2010 to 2012.

We have become a renowned financial institution in Anhui and China, with industry-leading performance indicators, such as growth, earnings and asset quality. We have won numerous accolades and awards for our excellent results of operation and outstanding services, including:

Year	Awards	Events/Organizers/Media
2012	No. 305 in the Top 1000 World Banks Ranking; No. 27 among banks in China	The Banker, an international financial publication
2012	No. 3 among China's city commercial banks	Survey conducted by Bankrate, Inc. on banking services, financial products and customer satisfaction
2012	No. 20 in the Competiveness Ranking of Asian Banks (亞洲銀行競爭力排名)	21st Century Business Herald (《21世紀經濟報導》), a Chinese financial publication
2012	The Most Innovative Cash Management Bank (最具創新性現金管理銀行)	TreasuryChina (《財資中國》), a Chinese financial publication
2010	The Most Influential Brands for Small- and Medium-sized Banks (最具品牌影響力的中小銀行)	China Finance Net (中國金融網), a Chinese financial website
2010	Advanced National Banking Enterprise Providing Financial Services to Small Enterprises (全國銀行業金融機構小企業金融服務先進單位)	The CBRC
2009	Best Financing Solutions for SMEs (中國中小企業最 佳融資方案)	The Second China SMEs Financing Forum (第二屆中國中小企業融資論壇)
2008	The Best Bank for SMEs (最佳中小企業銀行)	The Economic Observer (《經濟觀察報》), a Chinese financial publication

OUR MARKET

Our primary market is Anhui, a province in Central China, which has experienced rapid economic growth since the national government promoted the implementation of the "Rise of Central China" plan in 2006. From 2010 to 2012, real GDP growth of Central China outpaced the national CAGR of 8.5%, and Anhui's real GDP grew at a CAGR of 12.8%, the highest among all provinces in Central China. Anhui enjoys the unique geographical advantage of close proximity to the Yangtze River Delta and the Pearl River Delta. It serves as the link between the eastern and western regions of China, enabling it to capture the opportunities arising from the industrial migration from the developed eastern region to the central-western region. From January to November 2012, Anhui received RMB265 billion capital inflow of industrial migration from Shanghai, Jiangsu and Zhejiang, or 54.9% of its total capital inflow.

Anhui has huge economic development potential. As industrial migration from the eastern region to Central China progresses, Anhui has accelerated its economic transformation and upgrading by prioritizing the development of strategic emerging industries, supported by a high-end manufacturing industry and a modern service industry. Under the Twelfth Five-Year Plan, Anhui will focus on developing strategic emerging industries, including information technology, energy conservation and environment protection, new energy, biopharmaceutical, high-end equipment manufacturing, new material, new-energy automobile and public security, which are expected to become significant drivers of Anhui's economic development.

Driven by the rapid growth of Anhui's economy, Anhui is becoming increasingly urbanized. Its urbanization rate increased from 43.2% in 2010 to 46.5% in 2012, outpacing the nation for the same period. In addition, Anhui's per capita disposable income of urban households increased at a CAGR of 15.4% from 2010 to 2012, outpacing the growth rates of the other provinces in Central China. As a result, Anhui's financial services industry has achieved significant growth. From 2010 to 2012, the total assets, loans and deposits of Anhui's banking financial institutions grew at a CAGR of 21.2%, 19.3% and 18.5%, outpacing the national CAGR of 18.4%, 15.0% and 13.4%, respectively.

For more information relating to Anhui's economy, see "Industry Overview—Anhui's Economy" in this document.

COMPETITIVE STRENGTHS

Our principal competitive strengths include:

- uniquely positioned to benefit from the rapid economic growth of Central China and Anhui;
- strategically aligned distribution network and customer base in sync with Anhui's local economy;
- industry-leading and highly distinctive SME business;
- prudent risk management and solid asset quality;
- market-leading profitability and effective cost management; and
- experienced management team with strong execution capability.

STRATEGY

Our strategic goal is to pursue excellence and build a regional commercial bank with high value growth. To achieve our goal, we plan to:

- continue to enhance the competitive edge of our corporate banking business and develop our retail banking business;
- continue to optimize our business mix and expand our fee- and commission-based business;
- continue to build multi-dimensional, diversified business channels;
- enhance risk management and internal control;
- improve information system and develop modern operating system; and
- attract, motivate and cultivate high-quality employees.

SUMMARY FINANCIAL AND OPERATING INFORMATION

The summary consolidated statement of comprehensive income data for the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013, and the summary consolidated statement of financial position data as of December 31, 2010, 2011 and 2012 and June 30, 2013 set forth below are derived from the Accountant's Report set out in Appendix I. You should read the summary financial and operating information set forth below in conjunction with the Accountant's Report set out in Appendix I and the sections headed "Assets and Liabilities" and "Financial Information."

Summary Consolidated Statement of Comprehensive Income Data

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Interest income	8,256	11,253	15,161	6,886	9,080
Interest expense	(2,239)	(4,164)	(6,592)	(2,751)	(4,356)
Net interest income	**6,017**	**7,089**	**8,569**	**4,135**	**4,724**
Fee and commission income	294	461	452	191	329
Fee and commission expense	(43)	(48)	(56)	(18)	(36)
Net fee and commission income	**251**	**413**	**396**	**173**	**293**
Net trading income/(loss)	(32)	52	40	94	29
Net gains/(losses) on investment securities	(32)	30	67	51	4
Dividend income	0	2	0	0	—
Other operating income	66	65	163	71	68
Operating income(1)	**6,270**	**7,651**	**9,235**	**4,524**	**5,118**
Operating expenses	(2,203)	(2,500)	(3,132)	(1,404)	(1,511)
Impairment losses on assets	(578)	(579)	(458)	(265)	(424)
Operating profit	3,489	4,572	5,645	2,855	3,183
Share of profits of associates	13	32	35	12	24
Profit before income tax	**3,502**	**4,604**	**5,680**	**2,867**	**3,207**
Income tax	(800)	(1,111)	(1,374)	(714)	(755)
Profit for the year/period	**2,702**	**3,493**	**4,306**	**2,153**	**2,452**

Note:

(1) Our operating income by segment is as follows:

	Year ended December 31						Six months ended June 30			
	2010		2011		2012		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in millions of RMB, except percentages)									
Corporate banking	4,080	65.1%	4,823	63.0%	5,333	57.8%	2,676	59.1%	3,003	58.7%
Retail banking	1,395	22.3	1,892	24.7	2,394	25.9	1,148	25.4	1,402	27.4
Treasury operations	729	11.5	871	11.4	1,345	14.6	629	13.9	645	12.6
Others	66	1.1	65	0.9	163	1.7	71	1.6	68	1.3
Total	**6,270**	**100.0%**	**7,651**	**100.0%**	**9,235**	**100.0%**	**4,524**	**100.0%**	**5,118**	**100.0%**

Summary Consolidated Statement of Financial Position Data

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Loans and advances to customers, total	117,034	137,413	163,795	183,057
Allowance for impairment losses	(2,976)	(3,490)	(3,853)	(4,191)
Loans and advances to customers, net	114,058	133,923	159,941	178,866
Financial assets held under resale agreements	10,543	5,317	38,198	92,281
Investment securities and other financial assets	43,663	47,812	57,056	68,936
Cash and balances with central bank	34,580	55,829	57,649	59,650
Due from banks and other financial institutions	1,496	7,076	3,834	4,167
Placements with and loans to banks and other financial institutions	1,237	3,581	2,813	893
Other assets	3,399	3,444	4,733	4,794
Total assets	**208,976**	**256,982**	**324,224**	**409,587**
Deposits from customers	159,582	203,580	239,543	252,137
Financial assets sold under repurchase agreements	20,798	16,185	47,883	100,670
Deposits from banks and other financial Institutions	9,822	9,323	5,965	19,700
Debt securities in issue	—	3,991	3,992	8,985
Placements from banks and other financial Institutions	1,263	3,535	898	903
Other liabilities	3,154	3,284	5,462	5,005
Total liabilities	**194,619**	**239,898**	**303,743**	**387,401**
Total equity	**14,357**	**17,084**	**20,481**	**22,186**

Selected Financial and Operating Ratios

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Profitability indicators					
Return on total assets(1)(2)(12)	1.29%	1.36%	1.33%	1.36%	1.20%
Return on average assets(2)(3)(12)	1.46%	1.50%	1.48%	1.51%	1.34%
Return on equity(2)(4)(12)	18.82%	20.44%	21.03%	23.16%	22.10%
Return on average equity(2)(5)(12)	19.89%	22.22%	22.93%	24.14%	22.99%
Net interest spread(2)(6)(12)	3.09%	3.00%	2.88%	3.05%	2.46%
Net interest margin(2)(7)(12)	3.19%	3.17%	3.03%	3.25%	2.65%
Non-interest income to operating income ratio(12)	4.04%	7.35%	7.21%	8.60%	7.70%
Cost-to-income ratio(8)(12)	35.1%	32.7%	33.9%	31.0%	29.5%

	As of December 31,			As of June 30,	As of September 30,
	2010	2011	2012	2013	2013
					(unaudited)
Capital adequacy indicators					
Core capital adequacy ratio(13)	11.19%	10.87%	10.30%	9.24%(18)	9.55%(18)
Capital adequacy ratio(13)	12.06%	14.68%	13.54%	11.90%(18)	12.22%(18)
Total equity to total assets(12)	6.87%	6.65%	6.32%	5.42%	6.18%(17)
Asset quality indicators					
Non-performing loan ratio(9)(12)(13)	0.60%	0.48%	0.58%	0.64%	0.58%(17)
Allowance to impairment loans(10)(12)	426.80%	533.33%	406.00%	359.82%	376.81%(17)
Allowance to total loans(11)(12)	2.54%	2.54%	2.35%	2.29%	2.19%(17)
Other indicators					
Loan-to-deposit ratio(12)	73.34%	67.50%	68.38%	72.60%	73.99%(17)
Liquidity ratio(13)(14)	35.81%	38.48%	35.17%	36.12%	27.17%
Core liabilities ratio(13)(15)	62.86%	64.50%	57.05%	50.40%	58.80%
Liquidity gap ratio(13)(16)	(3.14%)	9.12%	(10.10%)	(1.22%)	(8.58%)

Notes:

(1) Represents net profit for the period as a percentage of the period-end total assets.

(2) Ratios for the six months ended June 30, 2012 and 2013 are calculated on an annualized basis.

(3) Represents net profit for the period as a percentage of the average balance of total assets at the beginning and the end of the period.

(4) Represents net profit for the period as a percentage of the period-end total equity.

(5) Represents net profit for the period as a percentage of the average balance of total equity at the beginning and end of the period.

(6) Represents the difference between the average yield on 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.

(8) Calculated by dividing total operating expenses by operating income.

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

(10) Calculated by dividing the allowance for impairment losses on total loans and advances to customers by total non-performing loans to customers.

(11) Calculated by dividing the allowance for impairment losses on total loans and advances to customers by total loan and advances to customers.

(12) Calculated in accordance with IFRS.

(13) Calculated in accordance with PRC GAAP.

(14) Calculated by dividing current assets by current liabilities.

(15) Calculated by dividing the amount of core liabilities by the amount of total liabilities.

(16) Calculated by dividing liquidity gap by the amount of on- and off-balance sheet assets due within 90 days. Liquidity gap refers to the amount of on- and off-balance sheet assets with maturities of 90 days or less minus the amount of on- and off-balance sheet liabilities with remaining maturities of 90 days or less.

(17) Reviewed by the reporting accountant in accordance with the International Standard on Review Engagements 2410.

(18) Calculated in accordance with the New Capital Adequacy Regulations (Provisional), which were promulgated by the CBRC on June 7, 2012 and became effective on January 1, 2013.

RECENT DEVELOPMENTS

Our operating income increased by 12.3% from RMB6,741 million in the nine months ended September 30, 2012 to RMB7,573 million in the same period in 2013. The increase was primarily attributable to (i) a 12.3% increase in net interest income from RMB6,295 million in the nine months ended September 30, 2012 to RMB7,066 million in the same period in 2013, which was in line with the growth of our loan portfolio and (ii) a 59.0% increase in net fee- and commission-based income from RMB256 million in the nine months ended September 30, 2012 to RMB408 million in the same period in 2013, primarily reflecting the expansion of our fee- and commission-based businesses.

As of September 30, 2013, total loans and advances to customers amounted to RMB191,354 million, representing a 4.5% increase from RMB183,057 million as of June 30, 2013. As of September 30, 2013, total deposits from customers amounted to RMB258,629 million, representing a 2.6% increase from RMB252,137 million as of June 30, 2013.

As of September 30, 2013, we had net assets of RMB23,114 million, representing a 4.2% increase from RMB22,186 million as of June 30, 2013. Total assets decreased by 8.7% from RMB409,587 million as of June 30, 2013 to RMB374,104 million as of September 30, 2013, primarily reflecting the decrease in financial assets held under resale agreements. We adjusted our position in repurchase and reverse repurchase agreements during the three months ended September 30, 2013 in response to changes in market interest rates and our liquidity needs. As a result, financials assets held under resale agreements decreased by 47.1% from RMB92,281 million as of June 30, 2013 to RMB48,852 million as of September 30, 2013, while financials assets sold under repurchase agreements decreased by 40.5% from RMB100,670 million as of June 30, 2013 to RMB59,885 million as of September 30, 2013.

Our non-performing loan ratio decreased from 0.64% as of June 30, 2013 to 0.58% as of September 30, 2013, reflecting our continuous efforts to closely monitor our loan portfolio and recover non-performing loans. Our allowance to non-performing loan ratio increased from 359.82% as of June 30, 2013 to 376.81% as of September 30, 2013.

Financial data as of and for the nine months ended September 30, 2013 contained in this "Recent Developments" section have been reviewed by the reporting accountant in accordance with the International Standard on Review Engagements 2410.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position since June 30, 2013.

DIVIDEND POLICY

We declared cash dividends in the amount of RMB817 million, RMB817 million and RMB817 million in 2010, 2011 and 2012, respectively, representing RMB0.1, RMB0.1 and RMB0.1 per share before tax.

At a general meeting of our domestic shareholders on July 10, 2013, our domestic shareholders approved that the accumulated undistributed profits prior to certain event shall be attributable to our shareholders after certain event.

Under PRC law, we may only pay dividends out of our profit after tax. Profit after tax for a given year represents net profit as determined under PRC GAAP or IFRS or the accounting standards of the overseas jurisdiction where our shares are listed, whichever is lowest. For further details, see "Financial Information—Dividend Policy".

RISK FACTORS

Our business is subject to a number of risks. We believe that these risks can be categorized into (i) risks relating to our business, (ii) risks relating to the PRC banking industry, (iii) risks relating to the PRC, and (iv) risks relating to certain event. Our business may be materially and adversely affected by these risks. These risks include:

- If we are unable to effectively maintain the quality of our loan portfolio, our business, financial condition and results of operations may be materially and adversely affected;
- We rely on customer deposits and the inter-bank money market to fund our business and manage our liquidity;
- We may have to increase our allowance for impairment losses to cover the actual losses on our loan portfolio in the future;
- We face concentration risks from our credit exposure to certain industries and borrowers;
- We are exposed to risks arising from loans granted to SMEs; and
- We are exposed to risks arising from loans to local government financing vehicles.

For further information relating to above risks and other risks relating to an investment in our shares, see the section headed "Risk Factors".

REGULATORY INSPECTIONS AND PROCEEDINGS

We are subject to inspections and examinations by various PRC regulatory authorities, such as the PBOC, the CBRC, the MOF, the State Administration of Taxation and the NAO and their respective local offices. We have been subject to administrative penalties, mainly in the form of fines, as a result of regulatory non-compliance. The inspections and examinations by the PRC regulatory authorities have also revealed certain deficiencies in various areas of our business operations, risk management and internal control. See "Business—Legal and Administrative Proceedings—Regulatory Inspections and Proceedings" for details of the instances of non-compliance and other regulatory reviews, proceedings and investigations.

In this document, 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, the version of which was passed by our shareholders at the extraordinary shareholders' meeting on July 10, 2013 and was approved by the CBRC Anhui Office on August 9, 2013, which will become effective upon certain event, as the same may be amended, supplemented or otherwise modified from time to time
"ATM"	automated teller machine
"Bank," "we" or "us"	Huishang Bank Corporation Limited (徽商銀行股份有限公司), a joint stock company incorporated in Anhui Province, the PRC with limited liability in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
"Banking Ordinance"	the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Basel I"	1988 Basel Capital Accord
"Basel II"	the Revised Basel Capital Framework promulgated in June 2004
"Basel III"	the Basel Capital Accord promulgated in December 2010
"Board"	the board of Directors of our Bank, as described in "Appendix VII—Summary of the Articles of Association" of this document
"building ownership certificates"	building ownership certificates in the PRC (中華人民共和國房屋所有權證)
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"CAGR"	compound annual growth rate
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CBRC Anhui Office"	China Banking Regulatory Commission Anhui Office (中國銀行業監督管理委員會安徽監管局)
"CCB"	China Construction Bank

"Central China"	a region as defined under the Plan on Promoting the Rise of Central China (促進中部地區崛起規劃) promulgated in September 2009 by the State Council, consisting of Anhui, Henan, Hubei, Hunan, Jiangxi and Shanxi
"China" or "PRC"	the People's Republic of China, but for the purpose of this document only, excluding Hong Kong, Macau and Taiwan
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會)
"city commercial banks"	banks with branches at municipal or higher levels created with the approval of the CBRC from predecessor urban credit cooperatives pursuant to the PRC Company Law and the PRC Commercial Banking Law. According to the CBRC Annual Report 2012, as of December 31, 2012, there were a total of 144 city commercial banks in China
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Core Indicators (Provisional)"	the Core Indicators for the Risk Management of Commercial Banks (Provisional) (商業銀行風險監管核心指標(試行)), as promulgated by the CBRC on December 31, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
"Corporate Governance Guidelines"	the Guidelines on Corporate Governance of Commercial Banks (商業銀行公司治理指引), as promulgated by the CBRC on July 19, 2013 and effective on the same date, as amended, supplemented or otherwise modified from time to time
"CPC"	the Communist Party of China
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of Huishang Bank Corporation Limited
"Domestic Shares"	ordinary shares issued by our Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for and paid for in RMB
"Eastern Coastal Region"	for the purpose of this document, a region in the PRC comprising Beijing, Tianjin, Hebei, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong and Hainan
"Five Largest State-owned Commercial Banks"	(i) Agricultural Bank of China; (ii) Bank of China; (iii) Bank of Communications; (iv) CCB; and (v) ICBC, if the context requires, including their respective predecessors

"GDP"	gross domestic product
"Hefei Economic Circle"	a region as defined under the Twelfth Five-Year Plan, comprising cities of Hefei, Huainan and Lu'an in Anhui
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hong Kong-listed Chinese Commercial Banks"	the nine Chinese commercial banks listed on the Hong Kong Stock Exchange as of the Latest Practicable Date, consisting of the Five Largest State-owned Commercial Banks, China Merchants Bank, China CITIC Bank, China Minsheng Banking Corporation and Chongqing Rural Commercial Bank
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"ICBC"	Industrial and Commercial Bank of China
"IFRS"	International Financial Reporting Standards and International Accounting Standards ("IAS"), which include the related standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB")
"Large Enterprises"	enterprises other than enterprises classified as Medium, Small or Micro Enterprises under Notice on Issuing Provisions on Classification Standards for Small and Medium-sized Enterprises (關於印發中小企業劃型標準規定的通知) issued jointly by MIIT, NBS, NDRC and MOF and came into effect as of June 18, 2011
"Latest Practicable Date"	October 23, 2013, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"Listed Chinese Commercial Banks"	the 17 Chinese commercial banks listed in the PRC and/or Hong Kong as of the Latest Practicable Date, consisting of the Hong Kong-listed Chinese Commercial Banks, Hua Xia Bank, Industrial Bank, Ping An Bank, Shanghai Pudong

	Development Bank, China Everbright Bank, Bank of Beijing, Bank of Nanjing and Bank of Ningbo
"Medium Enterprises"	enterprises classified as medium enterprises under Notice on Issuing Provisions on Classification Standards for Small and Medium-sized Enterprises (關於印發中小企業劃型標準規定的通知) issued jointly by MIIT, NBS, NDRC and MOF and came into effect as of June 18, 2011, as measured by a number of criteria such as the number of employees, sales and total assets which vary from industry to industry. For example, industrial enterprises with less than 1,000 employees or sales of less than RMB400 million are classified as "SMEs," among which, enterprises with 300 or more employees and sales of RMB20 million or more are classified as "Medium Enterprises"
"Micro Enterprises"	enterprises classified as micro enterprises under Notice on Issuing Provisions on Classification Standards for Small and Medium-sized Enterprises (關於印發中小企業劃型標準規定的通知) issued jointly by MIIT, NBS, NDRC and MOF and came into effect as of June 18, 2011, as measured by a number of criteria such as the number of employees, sales and total assets which vary from industry to industry. For example, industrial enterprises with less than 1,000 employees or sales of less than RMB400 million are classified as "SMEs," among which, enterprises with less than 20 employees or sales of less than RMB3 million are classified as "Micro Enterprises"
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"NAO"	National Audit Office of the PRC (中華人民共和國審計署)
"Nation-wide Joint Stock Commercial Banks"	China Bohai Bank, China Everbright Bank, China Merchants Bank, China Minsheng Banking Corporation, China Zheshang Bank, China CITIC Bank, Evergrowing Bank, China Guangfa Bank, Hua Xia Bank, Industrial Bank, Shanghai Pudong Development Bank and Ping An Bank
"NBS"	National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

"New Capital Adequacy Regulations (Provisional)"	Regulation Governing the Capital Management of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)), as promulgated by the CBRC on June 7, 2012 and effective on January 1, 2013, as amended, supplemented or otherwise modified from time to time
"non-performing loans" or "NPL"	for the purpose of this document, is used synonymously with "impaired loans and advances" in Note 46.1.5(g) to the Accountant's Report in Appendix I to this document
"NSSF"	National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
"PBOC"	The People's Bank of China (中國人民銀行), the central bank of the PRC
"PBOC Hefei Central Sub-branch"	the Hefei Central Sub-branch of the PBOC (中國人民銀行合肥中心支行), which assumes the function of a central bank within its jurisdiction
"Pearl River Delta"	for the purpose of this document, an economic area in the PRC comprising Guangdong Province and Fujian Province
"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), promulgated by the 6th session of the Standing Committee of the 10th National People's Congress on December 27, 2003 which 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 session 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 enacted by the 5th session of the Standing Committee of the 8th National People's Congress on December 29, 1993, which became effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC-listed City Commercial Banks"	the three city commercial banks listed in the PRC as of the Latest Practicable Date, consisting of Bank of Beijing, Bank of Nanjing and Bank of Ningbo.

"PRC PBOC Law"	the Law of the People's Bank of China of the PRC (中華人民共和國中國人民銀行法), which was promulgated by the 3rd session of the Standing Committee of the 8th National People's Congress on March 18, 1995 and became effective on the same date, as amended, supplemented or otherwise modified from time to time
"Promoters"	the promoters that established our Bank on April 4, 1997. At the time of our establishment, our Promoters comprised 31 credit cooperatives and 10 shareholders
"related party" or "related parties"	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders (商業銀行與內部人和股東關聯交易管理辦法) promulgated by the CBRC, Accounting Standards for Business Enterprises (企業會計準則) promulgated by the MOF, 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 (商業銀行與內部人和股東關聯交易管理辦法) promulgated by the CBRC, Accounting Standards for Business Enterprises (企業會計準則) promulgated by the MOF, and/or IFRS
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"ROAA"	return on average assets
"ROAE"	return on average equity
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Shareholder(s)"	the holder(s) of the shares of Huishang Bank Corporation Limited
"Small Business(es)"	Small Enterprises and Micro Enterprises
"Small Enterprises"	enterprises classified as small enterprises under Notice on Issuing Provisions on Classification Standards for Small and Medium-sized Enterprises (關於印發中小企業劃型標準規定的通知) issued jointly by MIIT, NBS, NDRC and MOF and came into effect as of June 18, 2011, as measured by a number of criteria such as the number of employees, sales and total assets which vary from industry to industry. For example, industrial enterprises with less than 1,000 employees or sales of less than RMB400 million are classified as "SMEs," among which, enterprises with 20 or more but less than 300 employees, and sales of RMB3 million or more but less than RMB20 million are classified as "Small Enterprises"
"SME" or "SMEs"	Medium Enterprises, Small Enterprises and Micro Enterprises
"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 certain rules
"Supervisor(s)"	the supervisor(s) of our Bank
"Twelfth Five-Year Plan"	the Twelfth Five-Year Plan of Anhui Province for the Provincial Economic and Social Development (安徽省國民經濟和社會發展第十二個五年規劃綱要) approved by the 4th session of the 11th Provincial People's Congress of Anhui in January 2011
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Wanbei City Cluster"	a region as defined under the Twelfth Five-Year Plan, comprising cities of Bengbu, Fuyang, Bozhou, Huaibei and Suzhou in Anhui
"Wanjiang City Belt"	a region as defined under the Plan for the Wanjiang City Belt Industrial Relocation Model Zone (皖江城市帶承接產業轉移示範區規劃) which was approved by the State Council and came into effect in January 2010, comprising 59 counties and cities in Anhui

"Western China"	a region as defined under the Notice of the State Council on the Implementation of Several Western Development Policy Measures (國務院關於實施西部大開發若干政策措施的通知), comprising 12 provinces, autonomous regions and municipalities, namely, Shaanxi, Gansu, Ningxia, Qinghai, Xinjiang, Sichuan, Chongqing, Yunnan, Guizhou, Tibet, Guangxi and Inner Mongolia
"Yangtze River Delta"	for the purpose of this document, an economic area in the PRC comprising Shanghai, Jiangsu Province and Zhejiang Province

Certain amounts and percentage figures included in this document 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.

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.

Comparison of our financial performance with that of the Hong Kong-listed Chinese Commercial Banks, the Listed Chinese Commercial Banks and PRC-listed City Commercial Banks are based on their publicly available financial information.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements and information. Such forward-looking statements relate to events that are subject to significant risks and uncertainties, including the risks described in the section headed "Risk Factors" in the document. These forward-looking statements include (but are not limited to) words and expressions such as "aim," "expect," "believe," "plan," "intend," "estimate," "project," "seek," "anticipate," "may," "will," "should," "would" and "could" or similar words, expressions or statements or the negative thereof, in particular, in the sections headed "Business" and "Financial Information" in this document in relation to future events, including our strategies, plans, objectives, goals, targets, future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets, as well as the national and global economy.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future and the information currently available to our management. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance, which is subject to known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, and may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this document and the following:

- general political and economic conditions, including those related to the PRC and Anhui province;
- macroeconomic measures taken by the PRC government to manage economic growth;
- future development, trend and environment of the industry and market in which we operate;
- exchange rate fluctuations and evolving legal systems pertaining to the PRC and the industry and markets in which we operate;
- regulatory environment of the PRC and the industry in which we operate;
- market competition we face for our products, and action and development of competitors;
- our business prospect;
- our business plans, strategies and goals and our ability to successfully implement these business plan, strategies and goals;
- our expansion plan and change in estimated capital expenditure;
- our financial conditions, operating results and performance;
- our ability to reduce costs;
- fluctuation in our service fee and commission income; and
- our dividend policy.

We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this document, including the risks and uncertainties described below. Our business could be materially and adversely affected by any of these risks. You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory regime which in some respects may differ from that which prevails in other countries. For more information concerning the laws and regulatory systems of the PRC and certain related matters discussed below, see "Supervision and Regulation," "Appendix VI—Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix VII—Summary of the Articles of Association" of this document.

RISKS RELATING TO OUR BUSINESS

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

Our loans and advances to customers were RMB117,034 million, RMB137,413 million, RMB163,795 million and RMB183,057 million as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. As of the same dates, our non-performing loan ratio was 0.60%, 0.48%, 0.58% and 0.64%, respectively. Our financial condition and results of operations will be affected by our ability to maintain or improve the quality of our loan portfolio. We cannot assure you that the quality of our existing or future loans to customers will not deteriorate. Deterioration in the overall quality of our loan portfolio may occur due to a variety of reasons, including factors beyond our control, such as a slowdown of the PRC and Anhui economies, other adverse macroeconomic development and trends in China and other parts of the world and outbreak of natural disasters, all of which may adversely affect the businesses, operations or liquidity of our borrowers or their ability to service their debt, and we may not be able to realize the collateral, pledges or guarantees securing such loans. See "Risks Relating to Our Business—The collateral, pledges or guarantees securing our loans and advances to customers may not be sufficient or fully realizable." Any significant deterioration in our asset quality may lead to significant increases in our non-performing loans, allowance for impairment losses and loans written off due to impairment, which may materially and adversely affect our business, financial condition and results of operations.

We rely on customer deposits and the inter-bank money market to fund our business and manage our liquidity

As a commercial bank, customer deposits remain our primary funding source. We rely on growth in customer deposits to expand our loan business and meet other liquidity needs. Decreases in customer deposits will reduce our capital reserves, which, in turn, will reduce our ability to extend new loans while meeting deposit-to-loan ratio and other liquidity requirements. Our total customer deposits increased by 27.6% from RMB159,582 million as of December 31, 2010 to RMB203,580 million as of December 31, 2011, and further by 17.7% to RMB239,543 million as of December 31, 2012. Our customer deposits amounted to RMB252,137 million as of June 30, 2013. However, there are many factors affecting the growth of deposits, some of which are beyond our control, such as economic and political conditions, the availability of alternative investment choices and changes in the outlook of individual customers towards savings. As a result, we cannot assure you that we will be able to maintain the growth in our customer deposits at a pace sufficient to support our expanding business.

In addition, as of June 30, 2013, 88.5% of our total deposits from customers were due within one year, or were payable on demand. As of the same date, 58.5% of our net loans and advances to customers were due within one year. There is a mismatch between the maturities of our liabilities and those of our assets. Based on our experience, due in part to the lack of alternative investment products in China, a substantial portion of our short-term customer deposits are rolled over upon maturity, and these deposits have represented a relatively stable source of funding. However, regulations that restrict and reduce interest rates on deposits to levels significantly below the inflation rate and the development of alternative investment products in China have resulted in financial disintermediation in recent years, wherein customers withdraw their deposits and turn them into direct investments. See "—Risks Relating to the PRC Banking Industry—Interest rate liberalization, changes in exchange rates and other risks arising from the regulatory changes in the PRC banking industry may materially and adversely affect our results of operations."

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

In addition, we also rely on the inter-bank money market to obtain a portion of our funding, including the portion of funds which are used to manage our liquidity. As of June 30, 2013, deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements accounted for 31.3% of our total liabilities. Any fluctuation in liquidity or funding costs on the inter-bank money market, including those fluctuations as a result of financial or other crisis or changes in the central bank's policies or practices affecting the liquidity of other banking institutions, may materially and adversely affect our ability to fund our business and manage our liquidity through the inter-bank money market at a reasonable cost, or at all.

During the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, we had several incidences of non-compliance with the core liabilities ratio and liquidity gap ratio requirements under the Core Indicators (Provisional). For details of such incidences, see "Supervision and Regulation—Loan Classification, Allowance and Write-offs—Other Operational and Risk Management Ratios." As of the Latest Practicable Date, these incidences of non-compliance had not resulted in any penalty against us or any material adverse effect on us. However, we cannot assure you that we will not be subject to sanctions, fines or other penalties that may materially and adversely affect our business, financial condition or results of operations due to any future non-compliance with applicable requirements, guidelines or regulations.

We may have to increase our allowance for impairment losses to cover the actual losses on our loan portfolio in the future

Our allowance for impairment losses on loans and advances to customers was RMB2,976 million, RMB3,490 million, RMB3,853 million and RMB4,191 million as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively, and as of the same dates, the ratio of our allowance for impairment losses to total non-performing loans was 426.80%, 533.33%, 406.00% and 359.82%, respectively. The amount of new allowance for impairment losses amounted to RMB582 million, RMB598 million, RMB469 million and RMB425 million in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. The amount of allowance for impairment losses is based on our assessment of various factors affecting the quality of our loan portfolio under IAS 39. These factors include, among other things, our borrowers' operational and financial condition, repayment ability and repayment intention, the realizable value of any collateral and pledges and the ability of the guarantors of our customers to fulfill their obligations, as well as China's economic, legal and regulatory environment. Many of these factors are beyond our control, and therefore our assessment and expectations on these factors may differ from future developments. In addition, our allowance for impairment losses may continue to increase as a result of future regulatory and accounting policy changes, deviations in loan classification, or our conservative strategy. Any of the above factors may significantly reduce our profit and materially and adversely affect our business, prospects, financial condition and results of operations.

We face concentration risks from our credit exposure to certain industries and borrowers

As of December 31, 2010, 2011 and 2012 and June 30, 2013, corporate loans represented 74.8%, 73.0%, 71.3% and 71.7%, respectively, of our total loans and advances to customers. As of June 30, 2013, loans to the commerce and services industry and the manufacturing industry accounted for 30.6% and 30.2% of our corporate loans, respectively. As of June 30, 2013, non-performing loans to the commerce and services industry and the manufacturing industry accounted for 64.3% and 30.0% of total non-performing corporate loans, respectively.

In addition to our corporate loans to the commerce and services industry and manufacturing industry, we are exposed to risks associated with the real estate industry. As of June 30, 2013, residential mortgage loans represented 14.1% of our total loans; real estate-related corporate loans represented 6.4% of our total loans. The PRC government has in recent years imposed macroeconomic control measures aimed at preventing the real estate market from over-heating. For details of such measures, see "Supervision and Regulation—Regulation of Principal Commercial Banking Activities—Lending." Such measures may adversely affect the value of collateral securing our residential mortgage loans and the ability of our borrowers to repay their loans.

Any deterioration in any of the industries in which our loans are highly concentrated or any deterioration in the financial condition or results of operation of our borrowers in relevant industries could undermine the quality of our existing loans and our ability to generate new loans, which in turn could materially and adversely affect our business, financial condition and results of operations.

As of June 30, 2013, loans to our ten largest single borrowers totaled RMB9,440 million, representing 33.2% of our regulatory capital. As of the same date, loans to our ten largest group borrowers totaled RMB14,504 million, accounting for 50.9% of our regulatory capital. If the quality of any of these loans deteriorates or becomes non-performing, our asset quality could deteriorate significantly and our financial condition and results of operations could be materially and adversely affected.

We are exposed to risks arising from loans granted to SMEs

We are exposed to credit risks arising from loans granted to SMEs. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our loans to SMEs represented 79.2%, 77.5%, 75.4% and 75.3%, respectively, of our total corporate loans. SME banking business has always been our strategic focus. SMEs are more vulnerable to macroeconomic fluctuations due to their small size, as they may lack the financial, management or other resources necessary to withstand the adverse effects brought by economic downturn or changes in the regulatory environment as compared to larger enterprises. In addition, SMEs may not have information necessary for us to assess their credit risk. As a result, if we are unable to accurately assess the credit risk of these SME customers, our non-performing loans may increase significantly due to the effects caused by economic downturn or unfavorable changes in the regulatory environment on our SME customers, which may materially and adversely affect our business, financial condition and results of operations.

We extend loans to local government financing vehicles and deterioration in their repayment capabilities may have a material adverse effect on our asset quality, financial condition and results of operations

Similar to other commercial banks in the PRC, we provide loans to local government financing vehicles. Local government financing vehicles refer to economic entities with independent legal capacity established by local governments through financial allocation or asset injection, including land, shares or other assets, primarily responsible for financing government-sponsored projects. Our local government financing vehicle borrowers typically use the loan proceeds to make investments in infrastructure and industrial zone construction and development of public interest projects, such as affordable housing, and repay us with operating cash flows generated from such projects. As of June 30, 2013, our loans to local government financing vehicles amounted to RMB23,566 million, representing 12.9% of our total loans and advances to customers. All of these loans were secured by collateral, pledges or guarantees. In addition, as of June 30, 2013, we made collectively assessed allowance for impairment losses of RMB283 million for loans to local government financing vehicles, although none of our loans to local government financing vehicles was non-performing. See "Risk Management—Credit Risk Management." As of June 30, 2013, we had not extended any loans to PRC local governments; nor had we provided any guarantees to or entered into any other off-balance sheet arrangements with local governments or their financing vehicles.

Due to PRC legal restrictions, local governments are not permitted to provide guarantees for loans to local government financing vehicles. In addition, many projects sponsored by local government financing vehicles are carried out primarily for public interest purposes and are not necessarily commercially viable, and therefore, the operating cash flows generated from such projects may not be sufficient to cover the principal and interest on the relevant loans. As a result, the ability of a local government financing vehicle to repay its loans may depend to a significant extent on its ability to receive financing support from the government, which support may not always be available due to the government's liquidity, budgeting priorities and other considerations. Recently, due to the perceived high risk associated with such loans to local government financing vehicles, the State Council, the CBRC and the PBOC, along with several other PRC regulatory authorities, promulgated a series of notices, guidelines and other regulatory measures that direct PRC banks and other financial institutions to improve and strengthen their risk management measures regarding loans to local government financing vehicles. See "Supervision and Regulation—Regulation of Principal Commercial Banking Activities." In July 2013, it was reported that the NAO would start a nationwide assessment of local government financing vehicles. We do not believe such assessment in itself would have any material impact on our operations and financial position. We have adopted measures both on our own initiative and in response to these regulatory directives to control our risk exposure to local government financing vehicles, including implementing credit limitations on our portfolio of loans to local government financing vehicles, strengthening internal control for such loans and requesting additional collateral with respect to loans that we believe to be of relatively high risk. For details of such measures, see "Risk Management—Credit Risk Management." Downturns in the macroeconomic environment, unfavorable changes in governmental policies, deterioration in the financial condition of local governments and other factors may undermine the repayment abilities of local government financing vehicles, which may in turn materially and adversely affect our asset quality, financial condition and results of operations. We cannot assure you that the measures taken by us are sufficient to protect us against any default by local government financing vehicle borrowers. In addition, there is no assurance that the financial conditions of these local government financing vehicles will not deteriorate.

We are exposed to risks associated with wealth management products

In recent years, we have been actively developing our wealth management business by expanding the volume and range of wealth management products offered to customers. According to the CBRC requirements, principal-protected wealth management products are recorded on the statements of financial position. As of June 30, 2013, the outstanding balance of our principal-protected wealth management products amounted to RMB6,685 million, representing 1.6% of our total assets, and the outstanding balance of our non-principal-protected wealth management products amounted to RMB2,700 million, representing 0.7% of our total assets.

We have invested funds raised through the sale of our wealth management products mainly in debt securities. As most of the wealth management products issued by us are principal-protected products, we are liable for any loss in principal suffered in these products. Although we do not believe we are responsible for any loss investors may incur in connection with non-principal-protected wealth management products, we may eventually bear such losses if the investors bring lawsuits against us and the court does not agree with us. We may also decide to bear part or all of such losses for reputational or other considerations. Moreover, our reputation may be severely damaged and we may also suffer a loss of business and customer deposits.

In addition, the tenor of wealth management products issued by us might be shorter than that of the underlying assets. This mismatch requires us to issue new wealth management products or sell the underlying assets to address the funding gap when existing wealth management products mature. PRC regulatory authorities have introduced certain regulatory policies to restrict wealth management business of Chinese commercial banks, including in respect of the scale of certain investment products. If PRC regulatory authorities further restrict the wealth management business of Chinese commercial banks, our liquidity and profitability could be adversely affected.

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

Our risk management capabilities are limited by the information, tools or technologies available to us. For example, we may not be able to effectively monitor credit risk due to limited information resources or tools. In recent years, we have undertaken various initiatives to assist us in better managing our risks, including, among other things, improving our loan portfolio composition, internal credit rating system, operational risk management, measurement tools to assess market risk and liquidity risk, legal risk management, and reputational risk management and upgrading our information technology system. However, our ability to successfully operate such systems and to monitor and analyze their effectiveness is subject to continuous testing and improvement. See "Risks Relating to Our Business—Our business is highly dependent on the proper functioning and improvement of our information technology systems."

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

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

We are subject to capital adequacy guidelines set by the CBRC. In summary, these guidelines require domestic systemically important banks to maintain a core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of no less than 6.5%, 7.5% and 9.5%, respectively, and no less than 5.5%, 6.5% and 8.5%, respectively, for domestic non-systemically-important banks by the end of 2013. As of the Latest Practicable Date, the PRC regulatory authorities have not published any criteria for or list of "systemically important banks." See "Supervision and Regulation—Supervision Over Capital Adequacy." Our capital adequacy ratio was 12.06%, 14.68% and 13.54% as of December 31, 2010, 2011 and 2012, respectively, and as of the same dates, our core capital adequacy ratio was 11.19%, 10.87% and 10.30%, respectively. As of June 30, 2013, our core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio was 9.24%, 9.25% and 11.90%, respectively. The CBRC may increase the minimum capital adequacy requirements or change the methodology for calculating regulatory capital or capital adequacy ratios or we may otherwise be subject to new capital adequacy requirements.

Our ability to satisfy the current regulatory capital adequacy requirements could be adversely affected as a result of a deterioration in our financial condition, including a deterioration in the quality of our assets, such as an increase in non-performing loans, and a decline in our profitability. If our growth places capital demands on us in excess of what we are able to generate internally or raise in the capital markets or through alternative means, we may need to seek additional capital, but we may not be able to obtain additional capital on commercially acceptable terms in a timely manner or at all. Our ability to obtain additional capital may also be restricted by a number of factors, including our future business, financial condition, results of operations and cash flows, conditions prescribed by PRC law and regulatory approvals, our credit rating, general market conditions for capital-raising activities by commercial banks and other financial institutions, as well as economic, political and other conditions both within and outside China. We may face increased compliance and capital costs as a result of these capital requirements. Furthermore, as these capital adequacy requirements place restrictions on the ability of banks to leverage their capital to achieve growth in their loan portfolios, our results of operations may be materially and adversely affected, and our capacity to further grow our business may be constrained. If at any time in the future we fail to meet these capital adequacy requirements, the CBRC may take a series of measures upon us, including, for example, imposing restrictions on our lending and investment activities, restricting the growth of our loans and other assets, declining our application to enter new service sectors or restricting our ability to declare or pay dividends. Such measures may materially and adversely affect our business, results of operations and financial condition.

We may not be able to successfully manage the growth of our overall business

Our operating income was RMB6,270 million, RMB7,651 million, RMB9,235 million and RMB5,118 million in 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our loans and advances to customers were RMB117,034 million, RMB137,413 million, RMB163,795 million and RMB183,057 million, respectively. However, we may not be able to successfully maintain our growth if we fail to offer new products to attract new customers, improve our marketing or expand our sales channels. We also may not succeed in expanding our branch network to establish our brand name in new markets and reach new customers. Our growth is closely related to the PRC economy as well as other macroeconomic factors affecting the PRC (and Anhui Province in particular), such as GDP growth, the inflation rate and changes in banking and financial industry laws and regulations. We may not be able to successfully maintain our growth rates due to any unfavorable change in one or more of the above factors or other factors.

In addition, the management of our growth requires, and will continue to require, substantial managerial and operational resources. We may not be able to retain and attract qualified personnel to satisfy our growth needs. See "—Risks Relating to Our Business—We may not be able to recruit or retain a sufficient number of qualified staff." We may also need additional capital in the future, and we may not be able to obtain such capital on acceptable terms, or at all, which may result in a lower capital adequacy ratio. See "—Risks Relating to Our Business—We may not be able to satisfy the regulatory requirements on capital adequacy." Any occurrences of the above factors may materially and adversely affect our business, financial condition and results of operations.

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

A majority of our loans are secured by collateral, pledges or guarantees. As of June 30, 2013, 49.6%, 10.8% and 32.2% of our loans and advances to customers were secured by collateral, pledges and guarantees, respectively. The collateral and pledges securing our loans and advances to customers primarily comprised real estate, land, machinery and equipment, bonds, certificates of deposits and other assets. The value of the collateral and pledges securing our loans may fluctuate and decline due to various factors beyond our control, including macroeconomic factors affecting China. For example, a slowdown in the PRC economy may lead to a downturn in the real estate market, which may in turn result in declines in the value of the real properties securing our loans to levels below the outstanding principal balance of such loans. Moreover, the growth of the real estate industry and price of real properties in the PRC are significantly influenced by macroeconomic policies of the government, such as interest rate and credit policies. In addition, we cannot assure you that our assessment of the values of collateral and pledges will be accurate. If our collateral and pledges are proved to be insufficient to cover the related loans, we may have to obtain additional collateral and pledges from the borrowers and there is no assurance that we would be able to do so. Declines in the price of our collateral and pledges or our inability to obtain additional collateral and pledges may result in additional allowances for loan impairment, which may materially and adversely affect our business, financial condition and results of operations.

In the PRC, the procedures for liquidating or otherwise realizing the value of collateral and pledges may be protracted, the value of collateral and pledges may not be fully realized, and the actual process of realizing the value of collateral and pledges may be hindered by difficulties. In addition, under certain circumstances, other rights and claims may be prior to our rights to the collateral and pledges securing our loans. All of the foregoing factors could adversely affect our ability to realize the value of the collateral and pledges securing our loans in a timely manner or at all.

The guarantees under our guaranteed loans are generally not backed by collateral or pledges or other security interests. In addition, some of the guarantees are provided by affiliates of the relevant borrower, so that certain factors which result in a borrower's inability to fully and timely repay a guaranteed loan may also affect the guarantor's ability to fully perform their guarantee obligations, and therefore, exposes us to additional risks. If the borrowers are unable to perform the contracts and there is a significant deterioration in the financial condition of the guarantors, the amounts we may recover under such guarantees may decrease significantly. In addition, we are subject to the risk that a court or any other judicial or government authorities may declare a guarantee invalid or otherwise decline or fail to enforce such guarantee. We are therefore exposed to the risk that we may not be able to recover all or part of our guaranteed loans. If we are unable to dispose of assets of borrowers and guarantors or if the guarantors fail to fully perform their guarantee obligations on a timely basis, our business, financial condition and results of operations may be adversely affected.

As of June 30, 2013, 7.4% of our loans and advances to customers were unsecured. We have to rely to a greater degree on credit assessments of customers in granting such unsecured loans, and we cannot assure you that our credit assessments of such customers are or will be accurate, or that such customers will repay their loans in full and on time. As we only have general claim on the assets of defaulting borrowers under unsecured loans, we are exposed to a relatively high risk of losing the entire amounts outstanding under such loans, which may materially and adversely affect our business, financial condition and results of operations.

We face uncertainties associated with the government policies and initiatives to promote the development of Anhui

We benefit from favorable policies adopted by the national and local governments to promote the economic development of Anhui. Anhui Province is located in Central China, a key region where the Chinese government has prioritized the advancement of economic development. Since April 2006, the PRC government has promulgated a series of policies and measures such as the "Opinions of the CPC Central Committee and State Council on the Promotion of the Rise of Central China," with an aim to position Central China as an economic growth engine of China. According to Anhui's Twelfth Five-Year Urbanization Plan, Anhui aims to increase its urbanization rate to over 50% by the end of 2015. At the same time, as the economy of Central China and Western China further develops, Anhui has become a key region for industrial migration from the developed coastal region of China. In addition, in January 2010, the State Council officially promulgated and adopted the "Plan for the Wanjiang City Belt Industrial Relocation Model Zone" (《皖江城市帶承接產業轉移示範區規劃》), aiming to support the development of major industries in the region, which comprises 59 counties and cities in Anhui.

We believe these policies have been instrumental in the economic growth of Anhui, and expect our business to continue to benefit from these favorable government policies and initiatives and the business opportunities presented in connection with local economic growth. However, we cannot guarantee that the government will maintain its favorable policies in promoting the development of Anhui. Any discontinuation or unfavorable change in such policies may materially and adversely affect our business, financial condition and results of operations.

Our business and operations are primarily concentrated in Anhui, and our continued growth depends on the continued growth of the Anhui economy, and we are exposed to risks arising from concentration of credit in Anhui in terms of distribution of customers and geographical coverage

Our business and operations are primarily concentrated in Anhui. As of June 30, 2013, 92.8% of our loans and 93.5% of our deposits were originated from our outlets in Anhui. Most of our businesses and operations will remain in Anhui for the foreseeable future. Therefore, our continued growth depends to a large extent on the continued growth of the Anhui economy, and we are exposed to risks arising from concentration of credit in Anhui in terms of distribution of customers and geographical coverage. Any adverse change in the economic development of or any significant natural disaster or catastrophic event occurring in Anhui may materially and adversely affect our business, financial condition and results of operations.

We may not be permitted to or succeed in expanding beyond Anhui

We began expanding our operations outside Anhui by opening a branch in Nanjing, Jiangsu Province in 2009. However, we may not be permitted to establish a branch or succeed in establishing branches in other areas beyond Anhui. The CBRC restricts city commercial banks from establishing branches outside their home regions without specific approval. To obtain such approval, we will need to satisfy various requirements imposed by the CBRC. Even if we obtain such approval, we may not possess the necessary experience, knowledge of the local business environment, risk management tools and qualified personnel to successfully compete with the banks and other financial institutions existing in these areas or regions. Our rate of growth and the expansion of our business may be materially and adversely affected if we are not able to or do not succeed in establishing a branch outside of Anhui, which, in turn, may materially and adversely affect our business, financial condition and results of operations.

We will be exposed to various risks as we expand our range of products and services, and we may not be successful in expanding our fee- and commission-based business and other non-interest income businesses

We have expanded and will continue to expand the products and services we offer to our customers. We rely to a greater extent on interest income than the Five Largest State-Owned Commercial Banks and Nation-wide Joint Stock Commercial Banks in China. Net interest income has historically been the largest component of our operating income, representing 96.0%, 92.6%, 92.8% and 92.3% of our operating income for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. As part of our growth strategy, we plan to introduce more fee- and commission-based products and services, such as settlement services, cash management services and consulting and financial advisory services. We also plan to pursue alliances with other financial service providers to offer a broader range of financial products that complement our existing products. Our expansion in the range of products and services has and will continue to expose us to new and potentially increasingly challenging market and operational risks. The success of our new products and services will largely be dependent on the following factors:

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

- acceptance of our new products by our customers;
- our ability to establish an effective management team or to enhance our risk management systems and information technology system to support a broader range of products and services;
- our ability to identify and effectively manage all potential risks associated with our products and services; and
- actions of our competitors.

If we are unable to expand our range of products and services and offer more fee- and commission-based products and other non-interest income products and services, we may continue to rely heavily on the interest income, and may face pressure from greater competition among banks for interest income and lower net interest margins from any future interest rate liberalization measures. See “—Risks Relating to the PRC Banking Industry—Interest rate liberalization, changes in exchange rates and other risks arising from the regulatory changes in the PRC banking industry may materially and adversely affect our results of operations.” As a result, our business, financial condition and results of operations could be materially and adversely affected.

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

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

We are exposed to fraud or other misconduct committed by our employees or third parties, which could subject us to financial losses, third party claims, regulatory actions or reputational damages. For example, in January 2011, Mr. Liu Guoxing, a former president of the Jiashan Sub-branch of our Maanshan Branch, was convicted of accepting bribes and sentenced to two years imprisonment with a two-year reprieve. See “Business—Legal and Administrative Proceedings—Employee Non-Compliance.” Detected incidents of past fraud and other misconduct by our employees included, among other things:

- engaging in unauthorized transactions which breach laws or our internal control procedures or violate financial accounting policies;
- abusing or failing to strictly apply the loan classification standards which result in inaccurate classifications of the loans in our loan portfolio;
- engaging in misrepresentations or fraudulent, deceptive or otherwise improper activities when marketing or selling products to our customers;
- improperly using or disclosing confidential information;
- falsifying or concealing information, including illegal or unlawful activities or credit information during the credit application or loan classification process;
- engaging in transactions that are beyond our authorized scope of business; and
- concealing unauthorized or illegal activities that might result in unknown and unmanageable risks or losses.

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

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

Our ability to sustain growth and meet future business demands is dependent upon the continued services of our senior management. We also rely on the continued service and performance of our employees as most aspects of our business depend on the quality of our professional staff. The departure of any member of our senior management team or professional staff may have a material adverse effect on our business and results of operations.

Due to the expansion of our business and our increasing range of products and services, we need talented employees and have devoted resources to recruitment and professional training. However, we may face increasing competition in recruiting and retaining qualified personnel, including our senior management, as other banks are competing for the same pool of qualified personnel and our compensation packages may not be as competitive as those of our competitors. In addition, some of our employees are not subject to non-competition agreements and they may resign at any time to join our competitors, and may seek to divert customer relationships that they have developed while working for us. We cannot provide assurance that we will be able to recruit staff in sufficient numbers or with sufficient experience, or that competition in recruitment will not lead to increases in our employment costs. If we fail to recruit or retain a sufficient number of qualified staff, our business, financial condition and results of operations may be materially and adversely affected.

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

Our business is highly dependent on the ability of our information technology systems to support our business development and accurately process a large number of transactions in a timely manner. The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks between our various branches and our main data processing centers, is critical to our business and our ability to maintain competitiveness. For further information with respect to our information technology systems, see "Business—Information Technology." In order to reduce relevant risks caused by system failure, we conduct real-time data backup for our major systems and communications network, and have set up a disaster recovery center in Hangzhou, Zhejiang Province in 2009. We cannot guarantee, however, that our operations will not be materially disrupted if there is a partial or complete failure of any of these information technology systems. We are also subject to the risk of telecommunication network or Internet breakdowns. Such failures could be caused by, among other things, software bugs, computer virus attacks, conversion errors due to system upgrading, an equipment provider's failure to provide proper system maintenance, or natural disasters. Any security breach caused by unauthorized access to information or systems, loss or corruption of data and malfunction of software, hardware or other computer equipment could materially and adversely affect our business, financial condition and results of operations.

In addition, our ability to remain competitive will depend in part on our ability to upgrade our information technology system in a timely and cost-effective manner in order to respond to market changes and other developments. As a result, we are in the process of implementing a series of information technology projects focusing on electronic banking, risk management and accounting management systems. However, any failure to improve or upgrade our information technology systems or develop new systems effectively or on a timely basis may materially and adversely affect our business, financial condition and results of operations.

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

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

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

We provide certain off-balance sheet commitments to our customers in the ordinary course of business, primarily comprising acceptances, guarantees, letters of credit and loan commitments. As of June 30, 2013, our off-balance sheet commitments totaled RMB58,538 million. See "Financial Information—Off-Balance Sheet Commitments." We are subject to credit risks associated with these off-balance sheet commitments and are required to provide funds when our customers are unable to honor their obligations. If a customer of letters of guarantee fails to fulfill its obligations as stated in the letters of guarantee to the beneficiaries of such guarantees, we will be obliged to make payments in respect of such letters of guarantee. If we are unable to recover payment from our customer in respect of such commitment, our financial condition and results of operations may be materially and adversely affected.

We have certain shareholders that we have been unable to contact and register as of the Latest Practicable Date, which may lead to potential disputes

As of June 30, 2013, we had contacted and registered 226 institutional shareholders and 15,193 individual shareholders. There were 95 institutional shareholders and 810 individual shareholders as of June 30, 2013 whom we were unable to contact to complete their share custodian procedures with the Anhui Shares Exchange. The 95 institutional shareholders collectively own 46,160,797 shares, and the 810 individual shareholders collectively own 4,246,741 shares. All these shares have been included in the total number of our issued shares. We cannot assure you that we have successfully contacted and accurately recorded all holders of our shares or all persons who are entitled to our shares. In addition, due to the large number of our shareholders, we may not be able to timely identify and record changes in our shareholders as a result of any private transfers, or any transfer as a result of their liquidation, reorganization or otherwise by operation of law. Disputes may arise in the future between us and persons who claim to own our shares but are not shown on our register. King & Wood Mallesons, our PRC legal advisor, is of the view that, if the court decides in favor of the person who claims to own our shares, but are not registered on our register, we will need to update our register of shareholders to reflect his equity interest in our Bank, and in the worst case scenario, we may have to issue new shares to the person to the extent his interest is not reflected in our existing share capital pursuant to the court decision, subject to the approval of the CBRC or its Anhui Branch. As a result, the equity interest of will be diluted, and we may have to pay dividends and corresponding interest to such shareholders. In addition, handling such disputes may divert our management's attention and incur additional costs if other shareholders are discovered after certain event or if shares held by existing shareholders are miscalculated at the time of certain event. As of the Latest Practicable Date, there was one equity interest dispute pending. For details of the dispute, see "Business — Legal and Administrative Proceedings — Legal Proceedings."

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

As of the Latest Practicable Date, we owned 140 properties with an aggregate GFA of approximately 175,500 square meters in the PRC. We have not obtained the land use right certificate and/or building ownership certificate for some of the properties. See "Business — Properties." We are currently in the process of applying for land use right certificates and building ownership certificates for these properties. However, we may not be able to obtain these title certificates. We cannot assure you that our ownership rights would not be adversely affected in respect of properties for which we were unable to obtain the relevant title certificates. If we were forced to relocate any of the operations we conduct on the affected properties, we may incur additional costs as a result of such relocation.

As of June 30, 2013, we leased 256 properties with an aggregate GFA of approximately 155,600 square meters, which we mainly use as business premises. Among these properties, 92 properties with an aggregate GFA of approximately 42,300 square meters were leased from lessors who were not able to provide the title certificates. As a result, our leases may be invalid. In addition, we cannot assure you that we would be able to renew our leases on terms acceptable to us upon their expiration. If any of our leases is terminated as a result of challenges by third parties or if we fail to renew them upon expiration, we may be forced to relocate affected branches and sub-branches and incur additional costs associated therewith, and our business, financial condition and results of operations may be adversely affected.

RISKS RELATING TO THE PRC BANKING INDUSTRY

We face increasingly intense competition in China's banking industry and other investment and financing channels

The banking industry in China is becoming increasingly competitive. We face competition in all of our principal areas of business from commercial banks where we have operations. We compete principally with the Five Largest State-Owned Commercial Banks, policy banks and Nation-wide Joint Stock Commercial Banks with operations in Anhui. We also face increasing competition from other Chinese commercial banks operating in Anhui. On July 1, 2013, the General Office of the State Council of the PRC issued Guidance Letter regarding Financial Support for Promoting Economic

Restructuring and Transformation (國務院辦公廳關於金融支援經濟結構調整和轉型升級的指導意見), or the Guidance Letter. The Guidance Letter, among other things, encourages investment by private-sector capital in financial institutions and the establishment of privately-owned banks. The Guidance Letter provides a policy direction to the increasing involvement by private-sector capital in the financial industry in China. We may face competition from privately-owned banks in the future.

We compete with our competitors for substantially the same loan, deposit and fee- and commission-based product and service customers. Such competition may materially and adversely affect our business and future prospects by, for example, reducing our market share in our principal products and services, reducing our fee and commission income, affecting the growth of our loan or deposit portfolios and their related products and services, and increasing competition for soliciting senior management talent and qualified professional personnel. In particular, we may face increasingly intense competition for SME customers as many commercial banks are shifting their focus from large enterprise customers to SME customers, particularly from other commercial banks with greater resources and more experience in the SME business.

In addition, we may face competition from direct corporate financing, such as the issuance of securities in the domestic and international capital markets. The domestic securities markets have experienced, and are expected to continue to experience, expansion and growth. If a substantial number of our customers choose alternative ways of financing to fund their capital needs, this may adversely affect our interest income, which could in turn materially and adversely affect our business, financial condition and results of operations.

In addition to competition from other banks and financial institutions, we also face competition from other forms of investment alternatives in China. In recent years, financial disintermediation, which involves the movement of funds by investors from intermediary financial institutions such as savings and deposit-taking banks to direct investments, has increased in China, in part due to deposit rates below inflation rates, the further development of financial markets, the diversification, integration and personalization of customer demand, adjustments in social financing structure and other factors. Our deposit customers may elect to convert their funds into stocks, bonds and wealth management products, which may result in a decrease in our customer deposits, therefore further affecting the level of funds available to us for our lending business to generate net interest income. Meanwhile, financial disintermediation may result in a decrease in the enterprise demand for loans, especially for Large Enterprises, which could materially and adversely affect our business, financial condition and results of operations.

Our business and operations are highly regulated, and we are susceptible to changes in regulation and government policies

The PRC banking industry is highly regulated and our business could be directly affected by changes in the policies, laws and regulations relating to the PRC banking industry, such as those affecting the specific scope of business which we can engage in, or the specific businesses for which we can charge fees, as well as changes in other governmental policies. We are subject to various regulatory requirements and guidelines set forth by the PRC regulatory authorities, which include but are not limited to the MOF, the NAO, the PBOC, the SAT, the CBRC, the CSRC, the CIRC, the SAFE and their respective local branches, particularly in Anhui. These regulatory authorities carry out periodic and non-periodic inspections, examinations and inquiries, in respect of our compliance with the laws, regulations, guidelines and regulatory requirements, and have the authority to take related corrective or punitive measures. These laws, regulations, guidelines and regulatory requirements include, among others, approving banking products and services, market entry, opening of new branches or institutions, tax and accounting policy and pricing. Since its establishment in 2003, the CBRC, as the primary banking industry regulator, has promulgated a series of banking regulations and guidelines aimed at improving the operations and risk management of Chinese commercial banks. In particular, as a city commercial bank, the CBRC restricts us from expanding beyond our approved geographic region without specific approval.

The banking regulatory regime in China is currently undergoing significant changes, most of which are applicable to us and may result in additional costs or restrictions to our business. We cannot assure you that such policies, laws and regulations governing the banking industry or the interpretation thereof will not change in the future, and we may not be able to adapt to such changes on a timely basis or at all. Failure to comply with new policies, laws and regulations may result in fines and restrictions relating to our business, which could materially and adversely affect our business, financial condition and results of operations.

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

The PRC banking industry has experienced rapid growth along with the economic development of the PRC. Banks have historically been, and are likely to remain, the principal financing channel for enterprises and the primary choice for domestic savings. We expect the banking industry in the PRC to maintain its growth as a result of the continued growth in the PRC economy, increases in household income, interest rate liberalization and further liberalization of exchange restrictions on the RMB, among other factors.

The banking industry in China and Anhui has grown significantly in recent years. However, it is uncertain whether the banking industry in China and Anhui can sustain their current levels of growth. A slowdown in the growth of the PRC economy, other unfavorable macroeconomic developments and trends in China and other parts of the world could materially and adversely affect the banking industry in China and Anhui. In addition, the PRC banking industry has historically accumulated a high level of non-performing loans. Although the PRC government has promulgated measures to dispose of the non-performing loans of the large commercial banks and certain other commercial banks and to recapitalize these banks, we cannot assure you that the banking industry in the PRC is free from systemic risks. In addition, the PRC government introduced a stimulus package in recent years which sought to boost China's economy by stimulating domestic spending and demand, which led to a rapid increase in bank loans. However, this rapid increase may have resulted from loans being made to less-qualified customers, and the non-performing loans in the PRC banking industry may gradually rise. Consequently, we cannot assure you that the growth and development of the PRC banking industry will be sustainable. Unsustainable growth in the PRC economy or banking industry in general may lead to unsustainable growth in the Anhui economy and banking industry, and any resulting slowdown may materially and adversely affect our business, financial condition and results of operations.

Certain PRC regulations limit our ability to diversify our investments

As a result of current PRC regulatory restrictions, substantially all of our RMB-denominated investment assets are concentrated in a limited number of products permitted for Chinese commercial banks, such as bills issued by the PBOC, treasury bonds issued by the MOF, financial bonds issued by domestic policy banks, bonds issued by other commercial banks, as well as short-term financing bonds, medium-term bills and corporate bonds issued by qualified domestic corporations. These restrictions on our ability to diversify our investment portfolio limit our ability to seek returns on our investments in a way comparable with those of other banks in other countries or to manage our asset-liability liquidity in the same manner as banks in other countries. A decrease in the value of any of our RMB-denominated investments assets could have a material adverse effect on our business, financial condition and results of operations.

Interest rate liberalization, changes in exchange rates and other risks arising from the regulatory changes in the PRC banking industry may materially and adversely affect our results of operations

Similar to most Chinese commercial banks, our results of operations depend to a large extent on our net interest income that we derive primarily from corporate loans and individual loans, which accounted for 96.0%, 92.6%, 92.8% and 92.3% of our operating income in 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. Interest rates in China have been gradually liberalized in recent years. In June and July 2012, the PBOC lowered the one-year deposit interest rate twice, bringing the one-year benchmark deposit interest rates to 3.25% and 3.00%, respectively. Effective June 8, 2012, the PBOC allows financial institutions to set deposit interest rates at up to 110% of the PBOC benchmark deposit interest rate. On July 20, 2013, the PBOC abolished the mininum rates for RMB-denominated loans (excluding interest rates for residential mortgage loans) and allowed financial institutions to charge interest rates based on commercial terms. Interest rate liberalization may intensify competition in China's banking industry as China's commercial banks seek to offer more attractive RMB-denominated loan and deposit interest rates to customers, which could significantly narrow the average net interest margin of Chinese commercial banks, thereby materially and adversely affecting our results of operations. We cannot assure you that we will be able to diversify our businesses and adjust the composition of our asset and liability portfolios and our pricing mechanism to enable us to effectively respond to the further liberalization of interest rates.

In recent years, the PBOC has adjusted the benchmark interest rates several times. Any adjustments by the PBOC to the benchmark interest rates on loans or deposits or changes in market interest rates may adversely affect our financial condition and results of operations in different ways. For example, changes in the PBOC benchmark interest rates could affect the average yield on our interest-earning assets differently from the average cost on our interest-bearing liabilities and therefore may narrow our net interest margin, leading to a reduction in our net interest income, which in turn may materially and adversely affect our results of operations and financial condition. A decrease in interest rates may reduce our interest income and our income from interest-earning investment, while an increase in interest rates may reduce the value of our debt portfolio and increase our cost of capital and result in an increase in the financing costs of our customers and thus reduce the overall demand for loans and, accordingly, adversely affect the growth of our loan portfolio, as well as increase the risk of default by our customers. As a result, changes in interest rates may adversely affect our net interest income, financial condition and results of operations.

We also undertake trading and investment activities involving certain financial instruments in China. Our income generated from these activities is subject to volatilities caused by, among other things, changes in interest rates and foreign currency exchange rates. For example, increases in interest rates generally impose an adverse effect on the value of our fixed rate securities investment portfolio, which may materially and adversely affect our results of operations and financial condition. In addition, the derivatives market in the PRC is still in the early stages of development and as a result, we may not be able to effectively manage such market risks.

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

In recent years, national credit information databases developed by the PBOC have been put into use. However, national credit information databases in China are generally under-developed due to limited availability of information and infrastructure, and therefore such databases are not able to provide complete credit information on many credit applicants. Therefore, we may not be able to assess the credit risk associated with a particular customer based on complete, accurate or reliable information. Without complete, accurate and reliable information and until the full implementation and effective operation of comprehensive national credit databases with respect to corporate and individual borrowers, we have to rely on other publicly available information and our internal resources, which may not be effective. As a result, our ability to effectively manage our credit risk may be reduced, which could in turn materially and adversely affect our business, financial condition and results of operations.

Investments in commercial banks in China are subject to restrictions that may adversely affect the value of your investment

Investments in commercial banks in China are subject to a number of restrictions. For example, prior approval from the regulatory authority for the PRC banking industry is required for any person or entity to hold 5% or more of the total capital or total shares of a commercial bank in China, unless otherwise required by the approval authority. If a shareholder of a commercial bank in China increases its shareholding above the 5% threshold without obtaining prior approval from the regulatory authority for the PRC banking industry, such shareholder may be subject to sanctions by the regulatory authority for the PRC banking industry, which includes, among other things, correction of such misconduct, confiscation of illegal gains or fines. For a shareholder holding 5% or more of our total issued shares (hereinafter referred to as "Excess Shares") without obtaining prior approval from the regulatory authority for the PRC banking industry, our Articles of Association contain provisions that restrict such shareholder from exercising certain rights over such excess shares prior to obtaining such approval from the regulatory authority for the PRC banking industry. In addition, under the PRC Company Law, we may not extend any loans that use our shares as collateral. Furthermore, pursuant to the Corporate Governance Guidelines and our Articles of Association, a shareholder must notify our board of directors before pledging our shares as collateral for itself or others. If a shareholder pledges our shares as collateral for itself or a third party, it must give prior notice to our board of directors. In addition, shareholders who have outstanding loans from us exceeding the audited net value of our shares held by them at the end of the previous fiscal year are not permitted to pledge our shares. Our shareholders (especially the major shareholders) and our directors designated by them are restricted from voting in shareholders' general meetings and board meetings, respectively, if such shareholders fail to repay outstanding borrowings when due. Changes in restrictions on shareholding imposed by the PRC government or as provided for in our Articles of Association in the future may materially and adversely affect the value of your investment.

IFRS 9 and its amendments on its application may require us to change our provisioning practice for impairment in financial assets

We currently assess the impairment of our loans and investment assets under IAS 39. The determination of impairment requires our management to exercise significant judgment and discretion. See "Financial Information—Critical Accounting Estimates and Judgments." The International Accounting Standards Board, or IASB, which is responsible for developing and revising international accounting standards, issued IFRS 9 and its amendments in November 2009 and October 2010, which will replace the information related with classification, measurement and derecognition of financial assets and financial liabilities under IAS 39, and gave rise to substantial changes in the classification and measurement of financial assets and financial liabilities. These standards will become effective on January 1, 2015. We may change our current provisioning practice in the future in accordance with IFRS 9 and its amendments, and any other future amendments to IAS 39 or similar standards, including any authoritative interpretive guidance on the application of such new or revised standards, which may in turn materially affect our business, financial condition and results of operations.

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

We classify our loans using a five-category loan risk classification system in accordance with the guidelines set forth by the PRC regulators. The five categories are normal, special mention, substandard, doubtful and loss. During the relevant assessment, we determine and recognize provisions by using the concept of impairment under IAS 39. For single substantial corporate loans classified as substandard or even lower categories, we make assessment on an individual basis. For single non-performing corporate loans which are not material, performing corporate loans and for all of our individual loans, including our credit card balances, we make a collective assessment based on our historical loss experience. Our loan classification and provisioning policies may be different in certain respects from those for banks incorporated in certain other countries or regions. As a result, our loan classification as well as our allowance for impairment losses, as determined under our loan classification and provisioning policies, may differ from those that could be reported if we were incorporated in those countries or regions.

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

Facts, forecasts and statistics in this document relating to the PRC, the PRC economy and the PRC and global banking industries, including our market share information, are derived from various governmental sources and information published by various government authorities and departments, such as the PBOC, the CBRC, International Monetary Fund, the Anhui Development and Reform Commission, the Statistics Bureaus of Anhui Province and other provinces, or other public sources. We believe that these sources of information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, and no representation is given as to its accuracy. In addition, these facts, forecasts and statistics may not be consistent with information available from other sources, and may not be complete or up to date. As a result, you should not place undue reliance on such information.

RISKS RELATING TO THE PRC

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

All of our businesses, assets, operations and revenues are located in or derived from our operations in the PRC, and as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including, among others, the extent of government involvement, level of development, growth rate, and control of foreign exchange and allocation of resources. The PRC economy has been undergoing a transition from a planned economy to a market-oriented economy. The PRC government has in recent years implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, however a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government still retains significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency denominated liabilities, setting monetary policy and providing preferential treatment to particular industries or enterprises.

Our performance has been and will continue to be affected by the China's economy, which in turn is influenced by the global economy. The global economic slowdown and the turmoil in the global financial markets that began in the second half of 2008, continued weakness in the United States economy and the sovereign debt crisis in Europe have collectively added downward pressure to China's economic growth. China's real GDP growth was 10.4%, 9.3% and 7.8% in 2010, 2011 and 2012, respectively.

Any of the above factors may materially and adversely affect our business, financial condition and results of operations. We are unable to accurately predict the precise nature of all the risks and uncertainties that we face as a result of current economic, political, social and regulatory conditions and many of these risks are beyond our control.

The PRC legal system could limit the legal protections available to you

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

Our Articles of Association provide that, apart from disputes over the recognition of shareholders or records of shareholders on our register, disputes between and us, our directors, supervisors or senior officers or other shareholders arising out of our Articles of Association or any rights or obligations conferred or imposed thereupon by the PRC Company Law and related rules and regulations concerning our affairs are to be resolved through arbitration by the China International Economic and Trade Arbitration Commission ("CIETAC") or the Hong Kong International Arbitration Center, rather than by a court of law. Awards made by PRC arbitral authorities (including CIETAC) recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong subject to provisions of Arbitration Ordinance of Hong Kong. Hong Kong arbitration awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements. However, we cannot assure you that any action brought in the PRC by to enforce an Hong Kong arbitral award made in favor of would succeed.

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

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

Under the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and Hong Kong SAR Pursuant to Agreed Jurisdiction by Parties Concerned (the "Arrangement") effective on August 1, 2008, as for an enforceable final judgment made by a PRC court or Hong Kong court concerning a civil and commercial case under a written agreement on jurisdiction, in which payment must be made, the party concerned may, under the Arrangement, apply to a PRC court or a Hong Kong court for recognition and enforcement. The term "written agreement on jurisdiction" as mentioned in the present Arrangement refers to agreements clearly stipulated in written form by parties concerned that a PRC court or Hong Kong court has sole jurisdiction as to the effectiveness of the Arrangement, so as to settle disputes relevant to a certain legal relationship that has either arisen or might arise. In addition, the Arrangement contains specific definitions of the terms "enforceable final judgment," "certain legal relationship" and "written form." Final judgments that are not compliant with the Arrangement may not be recognized or enforced by a PRC court. Moreover, we cannot assure you that all final judgments that are compliant with the Arrangement will be recognized and effectively enforced by a PRC court.

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

We receive a substantial portion of our revenues in RMB, which is currently not a fully freely convertible currency. A portion of these revenues must be converted into other currencies in order to meet our foreign currency obligations.

Under China's existing laws and regulations on foreign exchange, we will be able to undertake foreign exchange transactions under current account by complying with certain procedural requirements, including the payment of dividends in foreign currencies without prior approval from the SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions under certain circumstances.

The value of the RMB against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in China's and international political and economic conditions and the fiscal and foreign exchange policies prescribed by the PRC government. From 1994 to July 20, 2005, the conversion of RMB into foreign currencies, including Hong Kong and U.S. dollars, was based on rates set by the PBOC, set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the international financial markets. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the RMB to fluctuate within a regulated band that is based on market supply and demand and with reference to a basket of currencies. On the same day, the value of the RMB appreciated by approximately 2% against the U.S. dollar. The PRC government has since made further adjustments to the exchange rate system. The PBOC further enlarged the floating band for the trading prices in the inter-bank spot exchange market of RMB against the U.S. dollar to 1.0% around the central parity rate on April 16, 2012. The PRC government may in the future make further adjustments to the exchange rate system.

We believe we have minimal exposure to fluctuations in RMB currency exchange rates. However, as our international business expands, any appreciation of the RMB against the U.S. dollar or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets. Conversely, any devaluation of the RMB may adversely affect the value of, and any dividends payable in foreign currency. Although we seek to reduce our exchange rate risk through financial derivatives or otherwise, we cannot assure you that we will be able to reduce our foreign currency risk exposure relating to our foreign currency-dominated assets. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any appreciation of the RMB against the U.S. dollar or any other foreign currencies may materially and adversely affect the financial conditions of certain of our customers, particularly those deriving substantial income from exporting products or engaging in the related businesses, and in turn their abilities to service their obligations to us. Furthermore, we are also currently required to obtain the approval of the SAFE before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our financial condition, results of operations and compliance with capital adequacy ratios and operational ratios.

Payment of dividends is subject to restrictions under PRC laws

Under PRC law and our Articles of Association, dividends may be paid only out of distributable profits. Our profit distribution plan is subject to approval by a shareholders' general meeting. In addition to preparing financial statements in accordance with PRC accounting standards and regulations, we may also prepare financial statements in accordance with international accounting standards or the accounting standards of another jurisdiction. Our profit after tax available for distribution for a particular fiscal year shall be the lower of profit after tax as shown in the financial statements prepared under either of the two accounting standards mentioned above. We are prohibited from paying dividends for a given year out of our profit after tax to our shareholders in proportion to their respective shareholdings before making up any accumulated losses of previous years and making appropriations to the statutory surplus reserve, general reserve and discretionary reserve. As a result, we may not have distributable profits to make dividend distributions to our shareholders, including in respect of periods where we have registered an accounting profit. Any distributable profits not distributed in a given year may be retained and available for distribution in subsequent years. In addition, the CBRC has the discretionary authority to restrict dividend payments and other distributions by any bank that has failed to meet statutory capital adequacy ratio requirements or that has violated certain other PRC banking regulations. For details, see the section headed "Supervision and Regulation—Supervision Over Capital Adequacy."

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

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions we conduct our business. These regions may be under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought, power shortages or failures, or are susceptible to epidemics, such as Severe Acute Respiratory Syndrome ("SARS"), avian influenza, H5N1 influenza, H1N1 influenza or H7N9 influenza, potential wars or terrorist attacks. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect economic systems and financial markets. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Li Hongming (李宏鳴)	Room 402, Flat 92 1 Hongxing Road Luyang District Hefei, Anhui PRC	Chinese
Ms. Xu Demei (許德美)	Room 910 Unit 1 Building No.8 Hengsheng Yangguang Block Hefei, Anhui PRC	Chinese
Mr. Wu Xuemin (吳學民)	Room 401 4th Floor Unit 2 Boyue Mansion Hefei, Anhui PRC	Chinese
Mr. Zhang Renfu (張仁付)	Room 505, Flat 21 1 Shucheng Road Luyang District Hefei, Anhui PRC	Chinese
Mr. Ci Yaping (慈亞平)	132 Changjiang Road Luyang District Hefei, Anhui PRC	Chinese
Non-executive Directors		
Mr. Zhang Feifei (張飛飛)	Room 301, Flat 2 77 Hongxing Road Luyang District Hefei, Anhui PRC	Chinese
Mr. Qian Zheng (錢正)	Room 1306 20 Suzhou Road Luyang District Hefei, Anhui PRC	Chinese
Mr. Guo Shigang (過仕剛)	Room 1105, Unit 03, Flat 5 Shu Xiang Garden Cuiting North Road Zhengwuwenhua New District Hefei, Anhui PRC	Chinese
Mr. Wu Tian (吳天)	Room 504, Flat 8 2 Shucheng Road Luyang District Hefei, Anhui PRC	Chinese
Mr. Gao Yang (高央)	212 Wukang Road Shanghai PRC	Austrian

Name	Residential Address	Nationality
Independent non-executive Directors		
Mr. Au Ngai Daniel (歐巍)	Flat B 14/F Block 1 Estoril Court 55 Garden Road Mid-Levels Hong Kong	Chinese
Mr. Dai Genyou (戴根有)	Room 602, Gate No. 4, Flat 2 No. 3 Shaojiu Hutong Dongcheng District Beijing PRC	Chinese
Mr. Wang Shihao (王世豪)	Room 2103 No. 1, 358 Lane, Fengyang Road Huangpu District Shanghai PRC	Chinese
Mr. Zhang Shenghuai (張聖懷)	Room 701, Unit 1, Flat 2 Guan Shan Garden Century City Haidian District Beijing PRC	Chinese
Mr. Wen Jinghui (溫京輝)	Room 109, A-3/F, Yard 11 Fucheng Road Haidian District Beijing PRC	Chinese

SUPERVISORS

Name	Residential or Business Address	Nationality
Mr. Zhang Zhen (張震)	Room 506, Flat 1 205 Jixi Road Shushan District Hefei, Anhui PRC	Chinese
Mr. Xu Chongding (許崇定)	Room 307, Flat 15 Wuhe New Village Wuhe Road Luyang District Hefei, Anhui PRC	Chinese
Mr. He Tao (何濤)	Compliance Department of Huishang Bank 17th Floor, 79 Anqing Road Hefei, Anhui PRC	Chinese
Mr. Cheng Rulin (程儒林)	Room 506 Building No. 5 156 Shouchun Road Luyang District Hefei, Anhui PRC	Chinese

DIRECTORS AND SUPERVISORS

Name	Residential or Business Address	Nationality
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Mr. Cheng Hong (程宏)	Room 1302, Flat 4 Xiao Feng Garden Bai He Apartment 27 Hezuohuanan Road Anhui PRC	Chinese
Ms. Cheng Junpei (程俊佩)	Shanghai Tian Yi Consulting Ltd. Room 102 No. 42 Lane 118 Huamu North Road Pudong New Area Shanghai PRC	German
Mr. Fan Libo (范黎波)	International Business School of University of International Business and Economics Beijing PRC	Chinese
Ms. Pan Shujuan (潘淑娟)	Room 601, Unit 3 Building 18, Staff Dormitory Anhui University of Finance & Economics 255 Hongye Road Bengbu, Anhui PRC	Chinese

CORPORATE INFORMATION

Registered office	Block A, Tianhui Building 79 Anqing Road Hefei, Anhui Province PRC
Principal place of business in the PRC	Block A, Tianhui Building 79 Anqing Road Hefei, Anhui Province PRC
Principal place of business in Hong Kong	3907-08, 39/F Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Bank's website	http://**www.hsbank.com.cn** *(Information contained in this website does not form part of the document)*
Joint company secretary	Mr. Hu Dongdong Dr. Ngai Wai Fung, FCIS, FCS (PE), CPA, FCCA
Authorized representatives	Mr. Wu Xuemin Room 401 4th Floor Unit 2 Boyue Mansion Intersection of Xiyou Road and Huaining Road Hefei, Anhui Province PRC Dr. Ngai Wai Fung 3907-08, 39/F Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Strategic Development Committee	Mr. Li Hongming Mr. Wu Xuemin Mr. Zhang Renfu Mr. Zhang Feifei Mr. Qian Zheng Mr. Guo Shigang Mr. Gao Yang Mr. Wang Shihao
Audit Committee	Mr. Wen Jinghui Mr. Dai Genyou Mr. Zhang Shenghuai Mr. Zhang Feifei Mr. Qian Zheng
Nomination and Remuneration Committee	Mr. Dai Genyou Mr. Li Hongming Mr. Gao Yang Mr. Zhang Shenghuai Mr. Au Ngai Daniel

CORPORATE INFORMATION

Related-party Transactions Control Committee	Mr. Zhang Shenghuai Mr. Wen Jinghui Mr. Au Ngai Daniel Ms. Xu Demei Mr. Wu Tian
Risk Management Committee	Mr. Wang Shihao Mr. Wu Tian Ms. Xu Demei Mr. Ci Yaping

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

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

OVERVIEW

China's Economy

China's economy has grown rapidly since the PRC government adopted the national policy of "reform and opening" in the late 1970s. From 2007 to 2012, China's nominal GDP increased at a CAGR of 14.3% from RMB26,581 billion to RMB51,932 billion. China's economic growth has resulted in an increase in per capita disposable income. From 2007 to 2012, China's per capita disposable income of urban households grew at a CAGR of 12.2% from RMB13,786 to RMB24,565. The table below sets forth information on China's GDP and per capita disposable income of urban households for the years indicated:

	2007	2008	2009	2010	2011	2012	CAGR (2007-2012)
Nominal GDP (based on current prices) (RMB in billions)	26,581	31,405	34,090	40,151	47,310	51,932	14.3%
Nominal GDP growth rate (based on current prices) (%)	22.9	18.1	8.6	17.8	17.8	9.8	N/A
Real GDP (based on constant prices) (RMB in billions)	10,693	11,724	12,804	14,141	15,456	16,661	9.3%
Real GDP growth rate (based on constant prices) (%)	14.2	9.6	9.2	10.4	9.3	7.8	N/A
Per capita disposable income of urban households (in RMB)	13,786	15,781	17,175	19,109	21,810	24,565	12.2%
Per capita disposable income of urban households growth rate (%)	17.2	14.5	8.8	11.3	14.1	12.6	N/A

Source: International Monetary Fund, World Economic Outlook Database, March 2013; China Statistical Yearbook 2007—2012; China 2012 National Economic and Social Development Statistics Bulletin

Anhui's Economy

Overview

Anhui is located in Central China, an important region where the PRC government has made great efforts in promoting its economic development in recent years. Since 2006, the State Council has introduced a series of policies to promote the "Rise of Central China" concept to a national strategic level, aiming to build Central China into a new national economic growth engine by fully exploiting and leveraging Central China's unique geographic advantages and historical opportunity for economic transformation. According to the NBS and other relevant statistical data, from 2007 to 2012, the nominal GDP of Central China increased from RMB5.3 trillion to RMB11.6 trillion, representing a CAGR of 17.1%, higher than that of 14.3% and 13.9% for China and the Eastern Coastal Region, respectively. From 2010 to 2012, per capita disposable income of urban households in Central China increased at a CAGR of 13.9%, higher than the CAGRs of 13.4% and 12.7% for China and the Eastern Coastal Region, respectively.

Anhui leads Central China in terms of economic development. Anhui's real GDP increased at a CAGR of 12.8% from 2010 to 2012, the highest in Central China. Anhui's per capita disposable income of urban households increased from RMB15,788 in 2010 to RMB21,024 in 2012, representing a CAGR of 15.4%, the highest in Central China. From 2010 to 2012, Anhui's total retail sales of consumer goods increased at a CAGR of 17.0%, ranking No. 1 in Central China. In 2012, fixed asset investments in Anhui amounted to RMB1,506 billion, representing an increase of 24.2% from 2011.

Anhui's large population has fostered a sizeable and rapidly expanding domestic market, which in turn has promoted the ongoing urbanization. As of the end of 2012, Anhui's population of 69 million, was the eighth largest among all provinces in China. Anhui's urbanization rate increased from 38.7% in 2007 to 46.5% in 2012, primarily driven by rapid economic growth over the same period. Under the Anhui Twelfth Five-Year Urbanization Plan (《安徽省"十二五"城鎮化發展規劃》), the government intends to increase Anhui's urbanization rate to over 50% by 2015, which is expected to further drive the development of the real estate, manufacturing, service and other industries, and in turn boost investment in infrastructure and promote the continual growth in domestic consumption.

The table below sets forth information on Anhui's GDP, fixed asset investment and per capita disposable income of urban households for the years indicated:

	2007	2008	2009	2010	2011	2012	CAGR (2007-2012)
Nominal GDP (RMB in billions)	736	885	1,006	1,236	1,530	1,721	18.5%
Nominal GDP growth rate (%)	20.4	20.3	13.7	22.8	23.8	12.5	N/A
Real GDP growth rate (%)	14.2	12.7	12.9	14.6	13.5	12.1	N/A
Fixed asset investment (RMB in billions)	511	679	926	1,185	1,213	1,506	24.1%
Per capita disposable income of urban households (in RMB)	11,474	12,990	14,086	15,788	18,606	21,024	12.9%
Per capita disposable income of urban households growth rate (%)	17.4	13.2	8.4	12.1	17.8	13.0	N/A

Source: Statistics Bureau of Anhui Province

Anhui enjoys a unique geographical advantage of being the bridge between the eastern, western, southern and northern parts of China. As an adjacent province with close economic and cultural ties with the Yangtze River Delta, Anhui has gradually become an integral part of the pan-Yangtze River Delta, comprising Shanghai, Jiangsu Province, Zhejiang Province and Anhui Province.

At the same time, as economic development and industrial production gradually transfer to Central China and Western China, Anhui has become a key region for industrial migration from the developed coastal region of China. Anhui has a comprehensive transportation system comprising railways, water transport, road transport and air transport, and is an important transportation hub connecting the Yangtze River Delta, the Pearl River Delta, the Beijing-Tianjin-Tangshan region, Central China and Western China.

Anhui's industrial structure is in a stage of transformation and upgrading. According to the 2007 and 2012 National Economic and Social Development Statistics Bulletins of Anhui, the percentage of Anhui's nominal GDP generated from the secondary industry increased from 44.7% in 2007 to 54.6% in 2012. According to the Statistics Bureau of Anhui Province, the industrial output from above-scale industrial enterprises (comprising industrial enterprises with annual revenue from principal business of RMB20 million or more) in Anhui grew by 16.2% in 2012 compared to 2011, and the industrial output from above-scale industrial SMEs and high-tech enterprises in Anhui grew by 25.3% and 16.5%, respectively, over the same period.

Driven by the above factors, Anhui's financial services industry has achieved significant growth in recent years, outpacing the national growth rate for the same period. From 2010 to 2012, total assets of Anhui's financial institutions grew at a CAGR of 21.2%, higher than the CAGRs of 18.4% and 17.4% for China and the Eastern Coastal Region, respectively; total loans grew at a CAGR of 19.3%, higher than the CAGRs of 15.0% and 13.2% for China and the Eastern Coastal Region, respectively; total deposits grew at a CAGR of 18.5%, higher than the CAGRs of 13.4% and 12.8% for China and the Eastern Coastal Region, respectively.

Economic Development Policies of Anhui

In recent years, China's central and local governments have adopted various policies to promote Anhui's economic development. In April 2006, the State Council issued the "Certain Opinions of the Central Committee of the Chinese Communist Party and the State Council on Promoting the Rise of Central China" (《中共中央、國務院關於促進中部地區崛起的若干意見》), promoting the "Rise of Central China" concept to a national strategic level. In September 2009, the State Council introduced the "Plan on Promoting the Rise of Central China" (《促進中部地區崛起規劃》), detailing specific plans to achieve the rise of Central China. In August 2012, the State Council issued the "Certain Opinions of the State Council on Vigorously Implementing the Strategy of the Rise of Central China" (《國務院關於大力實施促進中部地區崛起戰略的若干意見》), further strengthening the implementation of the plan for the Rise of Central China. The PRC government plans to promote the sustainable economic development of Central China into a national economic growth engine by fully exploiting and leveraging its strategic geographical advantages, low labor cost and rising consumer market. Under Anhui's Twelfth Five-Year Urbanization Plan, the government aims to increase the annual growth rate of per capita income of urban and rural households in Anhui to over 10% and Anhui's urbanization rate to over 50% by 2015.

Under the Anhui Twelfth Five-Year Period Urbanization Plan, the Anhui government has set forth a plan to develop a modern urban system, positioning Hefei, Wuhu, Anqing, Bengbu, Fuyang and other central cities as core cities, and other mid- and small-sized cities and towns as basic cities, and formulated an urbanization strategy for developing three economic regions, namely, the Wanjiang City Belt, the Hefei Economic Circle and the Wanbei City Cluster. The plan promotes regionally balanced economic growth through supporting economic growth in central cities and implementing differentiated regional positioning and industrial development strategies based on the comparative advantages of different regions.

Under the Plan for the Wanjiang City Belt Industrial Relocation Model Zone (《皖江城市帶承接產業轉移示範區規劃》), which was approved by the State Council and came into effect in January 2010, the PRC government plans to support the growth of Anhui's economy through the development of the Wanjiang City Belt that accounted for 66% of Anhui's GDP in 2012. The plan promotes the development of industries in the Wanjiang City Belt through the relocation of key industries from the Yangtze River Delta. Under the plan, Jiangsu, Zhejiang and Shanghai are expected to become Anhui's primary sources of industrial migration for industries including manufacturing, high-tech industries and modern agriculture. According to the Anhui Development and Reform Commission, from January to November 2012, Anhui received RMB265 billion capital inflow of industrial migration from Jiangsu, Zhejiang and Shanghai, representing 54.9% of its total capital inflow. The plan also encourages the development and innovation in the financial services industry to support the development of local SMEs.

Under the Anhui Twelfth Five-Year Period Urbanization Plan, the Anhui government introduced a number of measures to bolster the development of large competitive enterprises, aiming to further enhance its competitive industries, such as automobile, equipment manufacturing, home appliance and food, through scale development, industrial centralization and branding development, and build an advanced, nationally significant manufacturing base. The Anhui government also introduced the "Three Major Multi-billions" (三大千億) plan, which includes the fostering of an industrial cluster of enterprises with total output over RMB100 billion and an industrial cluster of enterprises with sales income over RMB100 billion. At the same time, Anhui also plans to vigorously develop its small and medium-sized enterprises to build professional, distinguished and differentiated industrial clusters, and at least double the number of above-scale industrial enterprises by 2015.

CHINA'S BANKING INDUSTRY

Overview

Since the start of China's economic reforms in the late 1970s, China's banking system has been gradually transformed from a centralized, government-controlled system of providers of loans, with all central and commercial banking operations organized under the PBOC, into a system in which different types of mixed-ownership banks provide a variety of financial services.

At present, the CBRC is the primary banking industry regulator in China, assuming most of the PBOC's former regulatory functions. The commercial banking industry primarily comprises (i) Five Largest State-owned Commercial Banks and (ii) Nation-wide Joint Stock Commercial Banks, both types of which are permitted to operate nationwide, (iii) city commercial banks and (iv) rural cooperative financial institutions, both types of which generally focus on approved geographic areas.

For historical reasons, China's banking industry has accumulated a large number of non-performing loans. Since the late 1990s, the PRC government has taken numerous initiatives to improve the asset quality and capital base of large state-owned commercial banks through acquisition of non-performing loans and equity injections.

China's banking industry has grown rapidly in recent years, primarily driven by strong macroeconomic growth in China. From 2008 to 2012, aggregate RMB-denominated loans and deposits of China's banking institutions grew at a CAGR of 20.0% and 18.4%, respectively. The table below sets forth information on the aggregate RMB- and foreign currency-denominated loans and deposits of China's banking institutions as of the dates indicated:

	As of December 31,						CAGR (2007-2012)
	2007	2008	2009	2010	2011	2012	
RMB-denominated bank loans (RMB in billions)	26,169	30,339	39,968	47,920	54,795	62,991	19.2%
RMB-denominated bank deposits (RMB in billions)	38,937	46,620	59,774	71,824	80,937	91,755	18.7%
Foreign currency-denominated bank loans (US$ in billions)	220	244	379	453	539	684	25.5%
Foreign currency-denominated bank deposits (US$ in billions)	160	179	209	229	275	406	20.5%

Source: PBOC

Similar to the Five Largest State-owned Commercial Banks, many Nation-wide Joint Stock Commercial Banks and certain city commercial banks have also improved their capital base, asset quality and profitability through private placement, public offerings and adopting advanced management practices in line with international standards.

The table below sets forth certain information on China's banking industry by type of banking institution for the year ended and as of December 31, 2012:

	Institutions	Total assets			Shareholders' equity			Profit after tax	
	(No.)	Amount (RMB in billions)	Market share (%)	CAGR (2007-2012) (%)	Amount (RMB in billions)	Market share (%)	CAGR (2007-2012) (%)	Amount (RMB in billions)	Market share (%)
Five Largest State-owned Commercial Banks	5	60,040	44.9	16.1	3,952	45.6	20.1	755	49.9
Nation-wide Joint Stock Commercial Banks	12	23,527	17.6	26.5	1,314	15.2	31.1	253	16.7
City commercial banks	144	12,347	9.2	29.9	808	9.3	33.8	137	9.1
Rural cooperative financial institutions(1)	2,411	15,512	11.6	22.0	996	11.5	30.1	161	10.6
Foreign banking institutions(2)	42	2,380	1.8	13.7	256	2.9	16.9	16	1.1
Other financial institutions(3)	1,133	19,798	14.8	22.7	1,345	15.5	19.8	190	12.6
Total	**3,747**	**133,605**	**100.0**	**20.3**	**8,671**	**100.0**	**23.3**	**1,512**	**100.0**

Source: CBRC Annual Report 2012

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

(2) Comprises the branches, locally incorporated subsidiaries and joint venture banks of foreign banking institutions.

(3) Comprises policy banks, China Development Bank, trust companies, group financing companies, financial leasing companies, automobile financing companies, money brokerage firms, new-type rural financial institutions and postal savings banks.

City Commercial Banks

City commercial banks are banks with branches at the municipal or higher levels, created under the PRC Company Law and the PRC Commercial Banking Law from predecessor urban credit cooperatives with the approval of the CBRC. In 1995, the State Council decided to restructure urban credit cooperatives into city cooperative banks, renamed as city commercial banks in 1997. According to the CBRC Annual Report 2012, as of December 31, 2012, there were 144 city commercial banks in China. City commercial banks have played active roles in maintaining regional financial stability, promoting market competition, facilitating access to financial services, and easing funding pressures for SMEs. According to the CBRC, the total assets of city commercial banks as a percentage of total assets of the banking industry in China increased from 6.3%, or RMB3.3 trillion, as of December 31, 2007 to 9.2%, or RMB12.3 trillion, as of December 31, 2012, representing a CAGR of 29.9%, higher than other types of commercial banks.

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

Leveraging their understanding of local markets and relationships with local customers, city commercial banks are generally well-positioned to capture opportunities and market trends in local areas. According to the CBRC, between 2007 and 2012, total assets and net assets of city commercial banks grew at CAGRs exceeding those of the Five Largest State-owned Commercial Banks and Nation-wide Joint Stock Commercial Banks.

The table below sets forth certain information relating to city commercial banks in China for the years indicated:

	2007	2008	2009	2010	2011	2012
	(RMB in billions, except percentages)					
Assets	3,341	4,132	5,680	7,853	9,985	12,347
Liabilities	3,152	3,865	5,321	7,370	9,320	11,540
Shareholders' equity	188	267	359	482	664	808
Profit after tax	25	41	50	77	108	137
NPL ratio	3.0%	2.3%	1.3%	0.9%	0.8%	0.8%

Source: CBRC Annual Report 2012; CBRC website

City commercial banks in China have also made substantial improvement in their profitability. The table below sets forth the return on average assets of China's banking industry by type of institution for the years indicated:

	2007	2008	2009	2010	2011	2012
	(%)					
Five Largest State-owned Commercial Banks	0.94	1.16	1.09	1.17	1.32	1.33
Nation-wide Joint Stock Commercial Banks	0.89	1.04	0.90	1.02	1.20	1.21
City commercial banks	0.84	1.09	1.01	1.14	1.21	1.22
Rural cooperative financial institutions(1)	0.58	0.62	0.65	0.72	1.04	1.13
Foreign banking institutions	0.56	0.92	0.48	0.50	0.86	0.72
Other financial institutions(2)	1.26	0.65	0.68	0.77	0.94	1.05
Total	**0.92**	**1.00**	**0.94**	**1.03**	**1.20**	**1.22**

Source: CBRC Annual Report 2012

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

(2) Comprises policy banks, China Development Bank, trust companies, group financing companies, financial leasing companies, automobile financing companies, money brokerage firms, new-type rural financial institutions and postal savings banks.

In addition, the average NPL ratio of China's city commercial banks has decreased from 2007 to 2012. The table below sets forth a breakdown of the average NPL ratio of China's banking industry by type of institution for the years indicated:

	2007	2008	2009	2010	2011	2012
				(%)		
Five Largest State-owned Commercial Banks	8.0	2.8	1.8	1.3	1.1	1.0
Nation-wide Joint Stock Commercial Banks	2.1	1.3	1.0	0.7	0.6	0.7
City commercial banks	3.0	2.3	1.3	0.9	0.8	0.8
Rural commercial banks	4.0	3.9	2.8	1.9	1.6	1.8
Foreign banking institutions	0.5	0.8	0.9	0.5	0.4	0.5
Total	**6.1**	**2.4**	**1.6**	**1.1**	**1.0**	**1.0**

Source: CBRC Annual Reports 2007—2012

ANHUI'S BANKING INDUSTRY

According to the 2012 Anhui Banking Development Annual Report, Anhui had a total of 157 banking institutions either incorporated or with provincial-level branches in Anhui as of December 31, 2012. In addition, according to the CBRC Annual Report 2012, Anhui's total loans grew by 18.7% in 2012, ranking eighth among all provinces in China by growth rate. We are the only city commercial bank headquartered in Anhui. In addition, three city commercial banks headquartered outside of Anhui have established branches in Anhui.

According to the 2012 Anhui Banking Development Annual Report, total assets and total liabilities of banking institutions in Anhui as of December 31, 2012 increased by 21.6% and 21.4%, respectively, from December 31, 2011, each ranking the highest among provinces in Central China by growth rate. The table below sets forth a breakdown of the assets and liabilities of banking institutions in Anhui as of December 31, 2012:

		Total assets		Total liabilities	
	Number of institutions(1)	Amount	Market Share	Amount	Market Share
	(No.)	(RMB in billions)	(%)	(RMB in billions)	(%)
Five Largest State-owned Commercial Banks	5	1,248	42.0	1,230	42.8
Nation-wide Joint Stock Commercial Banks	8	297	10.0	291	10.1
City commercial banks	4	331	11.1	310	10.8
Rural cooperative financial institutions(2)	84	519	17.5	485	16.8
Foreign banking institutions	2	4	0.1	4	0.1
Other financial institutions(3)	54	576	19.4	557	19.4
Total	**157**	**2,974**	**100.0**	**2,877**	**100.0**

Source: 2012 Anhui Banking Development Annual Report

(1) Includes institutions incorporated in Anhui or with a provincial-level branch in Anhui.

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

(3) Comprises policy banks, China Development Bank, trust companies, postal savings banks, financial leasing companies, automobile financing companies, new-type rural financial institutions, financial asset management companies and group financing companies.

The table below sets forth information on banking institution deposits and loans in Anhui and other provinces in Central China as of December 31, 2012:

	Deposits				Loans			
	Amount	Rank(1)	Growth(2)	Rank(1)	Amount	Rank(1)	Growth(2)	Rank(1)
	(RMB in billions)	(No.)	(%)	(No.)	(RMB in billions)	(No.)	(%)	(No.)
Anhui	2,321	14	18.8	10	1,680	14	18.7	8
Shanxi	2,416	13	15.0	23	1,321	19	17.2	12
Jiangxi	1,684	20	17.6	15	1,108	22	19.1	7
Henan	3,197	10	19.4	6	2,030	11	15.0	23
Hubei	2,826	11	17.0	17	1,903	12	17.4	11
Hunan	2,315	15	19.1	7	1,565	15	16.2	15
Central China	14,758	—	17.8	—	9,607	—	17.1	—
China	94,310	—	14.1	—	67,288	—	15.6	—

Source: 2012 Anhui Banking Development Annual Report

(1) Rankings are among the 31 provincial-level divisions of China.

(2) Growth represents the percentage increase from the amount as of January 1, 2012.

Anhui's banking industry is relatively under-penetrated in terms of total loans over nominal GDP and per capita branch outlets, and therefore represents significant growth potential.

In 2012, Anhui's banking penetration as measured by total loans over nominal GDP was 97.6%, below China's national banking penetration of 129.6%. The table below sets forth the banking penetration, total loans and nominal GDP for China and six provinces in Central China for the year ended and as of December 31, 2012:

	Anhui	Shanxi	Jiangxi	Henan	Hubei	Hunan	China
Banking penetration (%)	97.6	109.1	85.6	68.1	85.5	70.6	129.6
Total loans (RMB in billions)	1,680	1,321	1,108	2,030	1,903	1,565	67,288
Nominal GDP (RMB in billions)	1,721	1,211	1,295	2,981	2,225	2,215	51,932

Source: PBOC, 2012 China Regional Financial Operations; 2012 National Economic and Social Development Statistics Bulletin and Economic and Social Development Statistics Bulletins of Anhui, Shanxi, Jiangxi, Henan, Hunan and Hubei provinces

In 2012, Anhui's number of branch outlets per 10,000 residents was 1.10, below China's national level of 1.49. The table below sets forth the number of branch outlets per 10,000 residents, number of branch outlets and number of residents for China and six provinces in Central China for the year ended and as of December 31, 2012:

	Anhui	Shanxi	Jiangxi	Henan	Hubei	Hunan	China
Number of branch outlets per 10,000 residents	1.10	1.71	1.41	1.27	1.22	1.38	1.49
Number of branch outlets	6,612	6,168	6,345	11,948	7,035	9,164	202,000
Number of residents (10,000)	5,988	3,611	4,504	9,406	5,779	6,639	135,404

Source: PBOC, 2012 China Regional Financial Operations; 2012 National Economic and Social Development Statistics Bulletin and Economic and Social Development Statistics Bulletins of Anhui, Shanxi, Jiangxi, Henan, Hunan and Hubei provinces.

COMPETITIVE LANDSCAPE

As a city commercial bank based in Anhui, we mainly compete against other Chinese commercial banking institutions with operations in Anhui. As of December 31, 2012, we ranked fourth and third among Chinese commercial banks operating in Anhui in terms of deposits and loans in

Anhui, respectively, according to the 2012 Anhui Banking Development Annual Report. We also compete against China's policy banks, rural cooperative and other financial institutions with operations in Anhui.

The table below sets forth a comparison of the ten largest commercial banks in Anhui by loans as of and for the year ended December 31, 2012:

	Deposits	Percentage(1)	Loans	Percentage(1)	Profit before tax	Percentage(1)	NPL ratio	Total Asset	Percentage(1) (%)
	(RMB in billions)	(%)	(RMB in billions)	(%)	(RMB in billions)	(%)	(%)	(RMB in billions)	(%)
Huishang Bank(2)	242	15.3	167	16.5	6	17.9	0.6	314	17.8
ICBC	320	20.2	216	21.3	6	19.7	1.9	329	18.7
CCB	267	16.8	174	17.2	5	14.5	0.5	280	15.9
Bank of China	214	13.5	144	14.2	5	15.5	0.2	223	12.6
Agricultural Bank of China	273	17.2	128	12.6	5	15.9	0.8	285	16.2
Bank of Communications	122	7.7	72	7.1	2	6.5	0.7	131	7.4
China CITIC Bank	41	2.6	33	3.2	1	2.3	0.3	50	2.9
China Merchants Bank	41	2.6	33	3.2	1	3.4	0.6	46	2.6
China Everbright Bank	34	2.2	27	2.7	1	2.2	0.5	51	2.9
Industrial Bank	29	1.9	19	1.9	1	2.1	0.5	55	3.1
Total	**1,583**	**100.0**	**1,013**	**100.0**	**32**	**100.0**	**N/A**	**1,763**	**100.0**

Source: 2012 Anhui Banking Development Annual Report

(1) Representing the percentage of the total amount of the ten banks.

(2) Unaudited and including our Nanjing Branch.

INDUSTRY TRENDS

Interest Rate Liberalization and Financial Disintermediation Further Promoting the Development of Fee- and Commission-based Business

Interest rates on deposits and loans in China were historically set by and subject to restrictions established by the PBOC. Since 1996, as part of the overall reform of the banking system, the PBOC has implemented a series of initiatives to gradually promote the liberalization of interest rates, including removing the interest rate restrictions affecting the inter-bank money market, government and policy bank bonds and deposits and loans in foreign currencies, as well as lowering the interest rate floor for RMB-denominated loans and lifting the interest rate ceiling for RMB-denominated deposits. In early 2007, the Shanghai Interbank Offered Rate, or SHIBOR, commenced operation, and a market-based interest rate system based on SHIBOR is gradually taking shape. On July 20, 2013, the PBOC lifted restrictions on interest rates that financial institutions can charge on RMB-denominated loans (excluding residential mortgage loans), and abolished the minimum rates for RMB-denominated loans and restrictions on interest rates of discounted bills. Based on the PBOC new rules, financial institutions can charge interest rates based on commercial terms (excluding interest rates for residential mortgage loans). In addition, the Chinese government established goals of gradually promoting market-oriented interest rate reform and strengthening the creation of a market-based interest rate system in its "Twelfth Five-Year Plan." In addition, in recent years, there has been a trend of financial disintermediation, with depositors transferring funds away from savings banks and other intermediary financial institutions to direct investments. Financial disintermediation, which has been primarily driven by deposit rates below inflation rates, the evolvement of financial markets, the diversification, integration and personalization of customer demand, adjustments in social financing structure has affected the deposit levels of commercial banks, which in turn affected the funds that could otherwise be used in the lending business to generate interest income. At the same time, financial disintermediation has also led to a decrease in the borrowing demand of enterprises, in particular Large Enterprises.

Interest rate liberalization and financial disintermediation have prompted the transformation of the banking industry in China and encouraged the development and introduction of more diversified fee- and commission-based products and services, such as investment banking, wealth management and alternative investment services and other non-interest income businesses. In recent years, Chinese commercial banks have also expanded into areas such as financial leasing, fund management and insurance. In addition, cooperation between banks and trust companies has become increasingly close in fields such as the distribution and sale of wealth management products and the provision of custody services for trust assets. Since 2001, the Chinese government has promulgated various regulations allowing Chinese commercial banks to charge for certain fee and commission-based products and services. For further information, see the section entitled "Supervision and Regulation." According to the CBRC, the proportion of fee- and commission-income to total operating income for the Chinese banking industry increased from 9.4% in 2007 to 13.7% in 2012, which remains lower than that of more mature overseas markets. As China's commercial banks continue to develop fee- and commission-based products and services to meet rising customer demand, it is expected that this proportion will continue to increase.

Enhanced Industry Fundamentals

The reform and development of the banking industry in China has resulted in significant improvements in corporate governance, risk management, capital strength, profitability, branding and market recognition. According to the CBRC, total assets of China's banking institutions increased from RMB53,116 billion as of December 31, 2007 to RMB133,622 billion as of December 31, 2012, and profit after tax increased from RMB447 billion in 2007 to RMB1,512 billion in 2012. In particular, the asset quality of China's banking institutions has improved significantly, with the overall NPL ratio decreasing from 6.1% as of December 31, 2007 to 1.0% as of December 31, 2012.

Strengthened Regulation and Supervision

In recent years, the CBRC and other PRC regulatory authorities have promulgated a number of regulatory measures in an effort to enhance the regulation and supervision of the banking industry. Such measures have been targeted at, among other things, improving corporate governance, enhancing risk management, strengthening supervision over capital adequacy, enhancing the regulation of wealth management products and improving the regulation of related-party transactions. In particular, following the issuance of Basel III in December 2010, on April 27, 2011, the CBRC issued new guidelines setting more stringent capital adequacy, leverage, liquidity and loan loss provisioning requirements for PRC banks in accordance with the reform of China's banking industry and the related regulatory framework. On June 7, 2012, the CBRC further issued the New Capital Adequacy Regulations (Provisional), which set a stricter definition of capital, expanded the risk coverage of capital and enhanced the capital constraint mechanism of commercial banks. In addition, the regulation reduced the risk-weighting of small and micro-enterprise loans and retail loans, which is expected to lower the credit costs of commercial banks in these areas and lead commercial banks to offer stronger credit support to small and micro enterprises and for personal consumption. For further information, see the section entitled "Supervision and Regulation."

Increasing Importance of SME Banking

The provision of banking services to SMEs has historically been the primary business of China's city commercial banks and rural cooperative financial institutions. In recent years, the Five Largest State-owned Commercial Banks and Nation-wide Joint Stock Commercial Banks have also placed increasing emphasis on SME banking. According to the Development Research Center of the State Council, as of December 31, 2011, there were approximately 50 million registered SMEs, accounting for 98% of the total number of enterprises registered in China, and contributing about 60% of the national GDP in 2011. However, SME demand for financing has not been satisfied. According to the PBOC, as of December 31, 2011, loans to SMEs amounted to RMB21.8 trillion, representing only 39.7% of total corporate loans. Over the past few years, the Chinese government has promulgated various policies and notices to encourage the provision of innovative financial products and credit services to SMEs and increased loans to SMEs. According to the PBOC, loans to SMEs increased by 18.6% from December 31, 2010 to December 31, 2011, while total bank loans increased by only 14.3%.

Increasing Demand for Retail Banking and Wealth Management Products and Services

China's per capita income levels have increased rapidly in recent years. From 2007 to 2012, China's per capita disposable income of urban households increased from RMB13,786 to RMB24,565, representing a CAGR of 12.2%. The growth of China's per capita income levels has brought about changes in lifestyle and increased consumption, resulting in growing demand for diversified retail banking products and services such as personal consumption loans and personal business loans, which have become the major growth drivers for China's commercial banks. According to the PBOC, total retail loans increased from approximately RMB5,068 billion as of December 31, 2007 to approximately RMB16,138 billion as of December 31, 2012, and the proportion of retail loans to total loans increased from 18.2% to 24.0% during the same period. In addition, demand for wealth management services has increased with growth in China's personal wealth, and many commercial banks have focused on providing customized and professional wealth management services to mid- to high-end customers. We believe that China's retail banking business will continue to show high growth potential.

Increasing Importance of Electronic Banking Services

The continuing development of Internet technology and banking information systems in China has enabled Chinese commercial banks to develop new types of self-service banking products and services through electronic banking, or electronic banking, systems such as internet and phone banking. By integrating their physical and electronic networks and services, banks can offer customers more convenient traditional banking services as well as more sophisticated and innovative products. Electronic banking has opened broad new channels for Chinese commercial banks to expand the scope and reach of their banking businesses. According to the 2012 China Financial Certification Authority, among active users, approximately 56% of retail banking transactions and 66% of corporate banking transactions in China in 2012 were completed through electronic channels.

Our business is subject to extensive regulation and supervision under the banking and other laws and regulations of the PRC. In general, these laws and regulations are intended for the protection of our customers and depositors and not for the protection of our bank or our shareholders. Set forth below are brief descriptions of selected laws and regulations applicable to us. These descriptions are not intended to be a comprehensive description of all laws and regulations to which we are subject or to be complete descriptions of the laws and regulations discussed. The descriptions of statutory and regulatory provisions are qualified in their entirety by reference to the particular statutes and regulations. Changes in applicable statutes, regulations or regulatory policy may have a material effect on our bank and our business.

OVERVIEW

The PRC banking industry is highly regulated. The principal regulatory authorities in the PRC banking industry include the CBRC and the PBOC. The CBRC is responsible for supervising and regulating banking institutions operating in China, and the PBOC, as the central bank, is responsible for formulating and implementing monetary policies. The principal laws and regulations relating to the PRC banking industry include the PRC Commercial Banking Law, the PRC PBOC Law, the PRC Banking Supervision and Regulatory Law, and the rules and regulations promulgated under these laws.

PRINCIPAL REGULATORS

CBRC

The CBRC is the principal regulator of banking institutions operating in the PRC, including commercial banks, policy banks, urban credit cooperatives, rural credit cooperatives and certain non-banking financial institutions, such as financial asset management companies, trust and investment companies, and financial leasing companies. The CBRC is also responsible for the supervision and regulation of the entities established by domestic financial institutions outside the PRC and the overseas operations of the above-mentioned banking and non-banking financial institutions. According to the PRC Banking Supervision and Regulatory Law and relevant regulations, the CBRC's primary responsibilities include:

- formulating and promulgating rules and regulations governing banking institutions and their activities;
- examining and approving the establishment, change and termination of banking institutions and their scope of business, as well as granting banking licenses to commercial banks and their branches;
- regulating the business activities of banking institutions, including their products and services;
- approving and overseeing qualification requirements for directors and senior management of banking institutions;
- setting guidelines and standards for prudent risk management, internal control, capital adequacy, asset quality, allowance for impairment losses, risk concentration, related party transactions and liquidity requirements for banking institutions;
- conducting on-site examinations and off-site surveillance of the business activities and risk levels of banking institutions;

- imposing integrated supervision on banking institutions;
- establishing emergency handling system with relevant authorities and formulating emergency handling plans;
- imposing corrective and punitive measures for violations of applicable banking regulations; and
- drafting and publishing statistics and financial statements of national banking institutions.

The CBRC, through its head office in Beijing and offices throughout the PRC, monitors the operations of commercial banks and their branches through on-site examinations and off-site surveillance. On-site examinations generally include inspecting a banking institution's business premises and electronic data system, reviewing documents and materials maintained by the banking institution and interviewing the banking institution's employees and, requesting the senior management and directors to clarify significant issues relating to the banking institution's operations or risk management. Off-site surveillance generally involves the review of business reports, financial statements and other reports regularly submitted by banking institutions to the CBRC.

If a banking institution is not in compliance with an applicable banking regulation, the CBRC is authorized to impose corrective and punitive measures, including fines, suspension of certain businesses and cessation of approving new businesses, restrictions on dividends and asset transfers and suspension of new branch opening. In severe cases or if a bank fails to take corrective action within the time period specified by the CBRC, the CBRC may suspend the bank's operations for rectification and revoke its operating license. In the event of a crisis or failure within a banking institution that may materially affect the legitimate interests of depositors and other clients, the CBRC may assume management control over, or arrange for the restructuring of the banking institution.

PBOC

As the central bank of the PRC, the PBOC is responsible for formulating and implementing monetary policies and maintaining the stability of the PRC financial markets. According to the PRC PBOC Law and relevant regulations, the PBOC is empowered to, among others:

- formulate and implement monetary policies in accordance with the laws;
- issue Renminbi and administer its circulation;
- regulate the inter-bank lending market and the inter-bank bond market;
- implement foreign exchange controls and regulate the inter-bank foreign exchange market;
- regulate the gold market;
- hold, administer and manage state reserves of foreign exchange and gold;
- manage the national treasury;
- safeguard the payment and clearing systems; and
- guide and supervise the anti-money laundering efforts of financial institutions and monitor fund transfers for compliance with anti-money laundering regulations.

MOF

The MOF, a ministry under the State Council, is responsible for state finance, taxation, accounting and the management of state-owned financial assets. The MOF regulates the performance review and compensation mechanism of senior management of state-controlled banks, and monitors the implementation of the China Accounting Standards for Business Enterprises (企業會計準則) and the Financial Rules for Financial Enterprise (金融企業財務規則) in the banking industry. The MOF's primary responsibilities include:

- promulgating and implementing financial and taxation strategies, plans, policies and reform measures;
- drafting regulations in respect of fiscal, finance and accounting management;
- managing state-owned assets of financial enterprises and administering the appraisal of state-owned assets; and
- supervising the implementation of financial and tax rules and policies, reporting critical issues in the management of fiscal revenue and expenditure and managing the offices of financial supervising commissioners.

Other Regulatory Authorities

In addition to the above regulators, commercial banks in the PRC are also subject to supervision and regulation by other regulatory authorities, including, but not limited to, the SAFE, the CSRC, the CIRC, the NAO, the SAT and the SAIC.

We had materially complied with the relevant rules and regulations and obtained all material licenses, approvals, permits and certificates from the competent regulatory authorities during the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 and up to the Latest Practicable Date. King & Wood Mallesons, our PRC legal adviser, to the best of its knowledge after due inquiry, is of the view that we had materially complied with all the relevant rules and regulations and obtained all material licenses, approvals, permits and certificates from competent regulatory authorities during the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 and up to the Latest Practicable Date.

LICENSING REQUIREMENTS

Basic Requirements

The establishment of a city commercial bank requires the CBRC's approval and issuance of an operating license. In general, the CBRC will not approve an application to establish a city commercial bank unless certain conditions are satisfied, including, among others:

- articles of association complying with relevant requirements of the PRC Commercial Banking Law and the PRC Company Law;
- registered capital meeting the statutory requirements, including RMB100 million registered capital and paid-up capital;
- non-performing loan ratio of no higher than 10%;
- directors and senior management possessing the requisite qualifications and practitioners familiarizing with the banking business;

- a sound and effective corporate governance and internal control system; and
- business premises, security measures and other facilities suitable for business operation.

Significant Changes

City commercial banks are required to obtain approval from the CBRC or its offices approval to undertake significant changes, including but not limited to:

- establishment of a branch;
- change of name or location of headquarters or a branch or sub-branch;
- change of registered capital;
- change of shareholders holding more than 5% of the bank's total capital or shares;
- amendment to the articles of association;
- termination of headquarters or a branch; and
- change of business scope.

The CBRC issued the Circular of the General Office of the CBRC on Improving Rural Financial Services in 2013 (中國銀監會辦公廳關於做好2013年農村金融服務工作的通知) (Yin Jian Ban Fa [2013] No.51), which allows a city commercial bank to apply for the establishment of branches within its home jurisdiction and adjacent regions with close economic connection but not out of their home provinces.

Scope of Business

Under the PRC Commercial Banking Law, commercial banks in China are permitted to engage in any or all of the following activities:

- taking deposits from the public;
- making short-term, medium-term and long-term loans;
- handling domestic and overseas payment settlements;
- accepting and discounting bills;
- issuing financial bonds;
- acting as agents to issue, honor and underwrite government bonds;
- trading government bonds and financial bonds;
- engaging in inter-bank lending;
- engaging in foreign exchange trading as principals or as agents;
- engaging in bank card business;
- providing letters of credit and guarantee services;
- collecting and making payment as agents and acting as insurance agents;
- providing safe deposit box services; and
- other businesses approved by the banking regulatory authorities of the State Council.

Commercial banks in the PRC are required to stipulate their scope of business in their articles of association and submit their articles of association to the CBRC for approval. Subject to approval by the PBOC and the SAFE, commercial banks can engage in settlement and sales of foreign exchange.

REGULATION OF PRINCIPAL COMMERCIAL BANKING ACTIVITIES

Lending

PRC banking laws and regulations require commercial banks to take into consideration government macroeconomic policies when making lending decisions. Accordingly, commercial banks are encouraged to restrict their lending to borrowers in certain industries in accordance with relevant government policies.

To control credit risks, commercial banks are required to establish a strict and centralized credit risk management system, adopt standard operating procedures and arrange qualified risk control personnel. In addition, commercial banks are required to comply with specified limitations on loans to certain industry sectors and customers. The CBRC and other relevant authorities have issued guidelines and measures to control credit risk associated with, among others, borrower concentration, real estate loans, automobile loans, merger and acquisition loans, project financing and local government financing vehicles. For example:

- Under the Interim Measures for the Administration of Fixed Asset Loans (固定資產貸款管理暫行辦法) issued by the CBRC, commercial banks are required to improve their internal control system, manage the entire lending process and fully understand their clients and projects. They also need to establish a credit risk management system for fixed asset loans, clearly define the responsibilities of relevant departments for loan management and establish an evaluation and accountability mechanism for each loan management position. To reduce the risk of misappropriation of funds, commercial banks are also required to strengthen the management of the use of loans and the loan disbursement process through enhanced examination upon loan disbursement and additional disbursement methods such as entrusted payment. The measures also require commercial banks to include in the loan agreement terms that are essential to control credit risk, establish a loan quality monitoring system and a loan risk alert system to monitor, and manage their loan accounts on an on-going basis.

- Under the Interim Measures for the Administration of Working Capital Loans (流動資金貸款管理暫行辦法) issued by the CBRC, commercial banks are required to establish effective internal control mechanism and risk management system to monitor the use of working capital loans and obtain comprehensive information from clients. They are also required to reasonably estimate the borrower's working capital demand and prudently determine credit limits for working capital loans to the borrower and the amount of each loan. Banks cannot grant working capital loans that exceed the borrower's actual need. In addition, commercial banks are required to clearly specify in the loan agreement the use of the loan. Working capital loans cannot be used for fixed asset or equity investment, or for other purposes prohibited by the government.

- Under the Interim Measures for the Administration of Personal Loans (個人貸款管理暫行辦法) promulgated by the CBRC, commercial banks are required to set up an effective system to manage the entire retail lending process and a risk limit management system. The measures also set out certain conditions for applying retail loans and rules and policies on the uses of retail loans.

- Under the Guidelines on the Management of Risks of Credit Granted by Commercial Banks to Group Borrowers (商業銀行集團客戶授信業務風險管理指引) issued by the CBRC, a commercial bank is required to diversify its credit risk if the total credit granted to a single group customer accounts for 15% or more of the bank's net capital.

- Under the Guidelines on the Management of Risks of Real Estate Credit Granted by Commercial Banks (商業銀行房地產貸款風險管理指引) issued by the CBRC, a commercial bank is required to establish real estate credit review and approval criteria, risk management and internal control systems to manage the market risk, legal risk and operational risk in connection with real estate loans. Commercial banks are not allowed to extend loans in any form to real estate development projects without state-owned land use right certificate and other relevant permissions. In addition, according to the Notice on Firmly Curbing Excessive Rise of Housing Prices in Some Cities (關於堅決遏制部分城市房價過快上漲的通知) promulgated by the State Council on April 17, 2010, commercial banks need to strengthen the pre-loan investigation and post-disbursement management of loans to real estate development enterprises. For real estate development enterprises that possess idle lands or trade lands for profit, commercial banks cannot extend loans for their new development projects.

- Under the Notice of the PBOC and the CBRC on Issues concerning the Improvement of Differential Housing Credit Policies (中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知) and the Notice of the General Office of the CBRC on Issues concerning the Improvement of Housing Financial Services and the Reinforcement of Risk Management (中國銀監會辦公廳關於做好住房金融服務加強風險管理的通知), commercial banks are required to implement differentiated housing credit policies, which include, among other requirements, suspending housing loan extensions to families for their purchase of the third set or more sets of housing. Under the Notice of the General Office of the State Council on Issues concerning the Further Enhancing the Regulation and Control of Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), commercial banks are required to strictly implement credit policies on residential housing loans, including the requirements to keep the down payment ratio for the second set of housing of any family at or above 60%, and the loan interest rate at or above 1.1 times of the benchmark interest rate. In addition, on February 26, 2013, the State Council promulgated the Notice of the General Office of the State Council on Continuing Regulation and Control of Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which requires banking institutions to carry on strict implementation of the differentiated housing credit policies, further implement the policy of down payment ratio and lending rate for loan of the first-set housing, rigidly tighten the credit policies for the second set (or more sets) of housing, and strictly impose a 20% personal income tax on the profit generated from sale of residential property.

- Under the Automobile Loan Management Measures (汽車貸款管理辦法) jointly issued by the PBOC and the CBRC, the amount of loans for personal-use automobiles, commercial automobiles and second-hand automobiles cannot exceed 80%, 70% and 50%, respectively, of the purchase price of such automobiles.

- Under the Guidelines on the Management of Risks of Merger and Acquisition Credit Granted by Commercial Banks (商業銀行並購貸款風險管理指引) issued by the CBRC, a commercial bank cannot finance mergers and acquisitions unless it has, among others: (i) a sound risk management mechanism and an effective internal control mechanism; (ii) specific allowance adequacy ratio for loan impairment loss of no less than 100%; (iii) capital adequacy ratio of no less than 10%; (iv) general reserve balance of no less than 1% of the loan balance for the same period; and (v) a professional team for due diligence and risk assessment of the merger and acquisition loans.
- Under the Guidelines on Project Financing Business (項目融資業務指引) issued by the CBRC, banking institutions are required to establish sound operation procedures and risk management mechanism for their project financing business. Banking institutions need to fully identify and evaluate risks during project development phase and operation phase, including policy risk, financing risk, operational risk, exchange rate risk, environmental risk and other related risks. Banking institutions also need to evaluate borrowers' risk of default based on the borrowers' technical and financial capabilities and repayment sources. In addition, banking institutions shall require borrowers to set up a designated account to receive all revenues from projects, monitor the account closely and take actions upon discovery of unusual fund movements.
- Under the Notice of the MOF, NDRC, PBOC and the CBRC on Implementing Several Matters relating to the Circular of the State Council on Relevant Issues concerning Strengthening the Administration on Local Government Financing Vehicles (財政部、國家發展和改革委員會、中國人民銀行、中國銀行業監督管理委員會關於貫徹＜國務院關於加強地方政府融資平臺公司管理有關問題的通知＞相關事項的通知), the Guiding Opinions of the CBRC on Strengthening the Risk Management of Loans to Financing Vehicles (中國銀監會關於加強融資平臺貸款風險管理的指導意見), the Notice on Practical Implementing the Loan Risk Control over the Local Government Financing Vehicles in 2011 (關於切實做好2011年地方政府融資平臺貸款風險監管工作的通知) issued by the CBRC and the Guiding Opinions of the CBRC on Strengthening the Loan Risk Control over the Local Government Financing Vehicles in 2011 (中國銀監會關於加強2012年地方融資平臺貸款風險監管的指導意見), banking institutions are required to strictly implement the pre-loan investigation, examination at granting and post-loan inspection mechanisms for the loans to local government financing vehicles, prudently grant and manage loans to financing vehicles, and classify and adjust such loans to accurately reflect and assess the risk status of such loans. Banking institutions need to consider the overall indebtedness of local government and the potential risk and expected losses of loans to financial vehicles. In addition, banks are required to make provisions for loan losses and adopt appropriate risk weighing based on the capital adequacy level of such loans, as reflected by full coverage, basic coverage, semi-coverage and non-coverage of such loans by cash flows. On April 9, 2013, the CBRC promulgated the Guiding Opinions of the CBRC on Strengthening the Loan Risk Control over the Local Government Financing Vehicles in 2013 (中國銀監會關於加強2013年地方政府融資平臺貸款風險監管的指導意見), which requires a banking institution to stop granting new loans to financing vehicles, and for financial vehicles with a cash flow coverage ratio of below 100% or an asset-to-liability ratio of higher than 80%, to keep the amount of loans to such vehicles at or below the amount in the prior year and actively recover such loans.

In addition, on March 21, 2013, the CBRC issued the Opinions on Enhancing Financial Services for Micro-enterprises (中國銀監會關於深化小微企業金融服務的意見), which requires commercial banks to further improve financial services for micro-enterprises. In particular, it encourages small and medium-sized banks to proactively adjust their credit portfolios and focus on supporting the development of micro-enterprises and regional economy. The General Office of the State Council of the PRC issued the Guidelines on Financial Support for the Adjustment, Transformation and Upgrading of Economic Structure (國務院辦公廳關於金融支持經濟結構調整和轉型升級的指導意見) on July 1, 2013 and the Opinions on Providing Financial Support to Small Business (國務院辦公廳關於金融支持小微企業發展的實施意見) on August 8, 2013, which encourage financial institutions to provide comprehensive financial services to support the development of micro-enterprises.

Foreign Exchange

Commercial banks are required to obtain approvals from the PBOC and the SAFE to conduct foreign exchange businesses. Under the PRC's anti-money laundering laws and regulations, PRC financial institutions are required to report to the SAFE on a timely basis any large or suspicious foreign exchange transactions they encounter.

Insurance

Commercial banks in the PRC are not permitted to underwrite insurance policies, but are permitted to sell insurance products as agent through their distribution networks. Commercial banks that provide insurance agency service are required to comply with applicable rules issued by the CIRC. For example, each branch of a commercial bank cannot sell insurance products for more than three insurance companies. Otherwise, it needs to report to the local office of the CBRC. On March 7, 2011, the CIRC and the CBRC jointly issued the Guidelines on the Supervision and Regulation of Insurance Agency Business Conducted by Commercial Banks (商業銀行代理保險業務監管指引), which require commercial banks to obtain a license from the CIRC before engaging in insurance agency business through their branches.

Wealth Management

On September 24, 2005, the CBRC issued the Interim Measures on Administration of the Personal Wealth Management Services of Commercial Banks (商業銀行個人理財業務管理暫行辦法), which requires commercial banks to obtain the CBRC's approval to provide return-guaranteed wealth management plans, new investment products with guaranteed investment return aimed at conducting personal wealth management business and certain other personal wealth management businesses. For other personal wealth management services, commercial banks only need to file a report with the CBRC. Commercial banks are also subject to certain restrictions on personal wealth management products. In addition, under the Guidelines for the Risk Management of the Personal Wealth Management Services of Commercial Banks (商業銀行個人理財業務風險管理指引) issued by the CBRC on September 24, 2005, commercial banks are required to establish an auditing and reporting system in respect of their wealth management services and to report any material risk management issues to the relevant authorities. In recent years, the CBRC issued a series of regulations in an effort to further improve the reporting mechanism and risk control of personal wealth management services provided by commercial banks. To further standardize and regulate the sales of wealth management products, the CBRC issued the Administrative Measures on the Sales of Wealth Management Products of Commercial Banks (商業銀行理財產品銷售管理辦法) on August 28, 2011, which requires commercial banks to prudently operate and timely disclose their wealth management business to fully protect the interests of consumers.

On April 17, 2006, the PBOC, the CBRC and the SAFE jointly promulgated the Interim Administrative Measures for Commercial Banks to Provide Overseas Financial Management Services (商業銀行開辦代客境外理財業務管理暫行辦法), to permit duly licensed commercial banks to make overseas investments using funds from investors in pre-approved financial products on behalf of domestic institutions and individuals.

On March 25, 2013, the CBRC issued the Notice on the Regulation of the Investment and Operation of Wealth Management Business by Commercial Banks (中國銀監會關於規範商業銀行理財業務投資運作有關問題的通知) to enhance the regulation of the wealth management business of commercial banks. This notice requires commercial banks to clearly link each wealth management product with its underlying investment asset. In addition, the balance of wealth management funds invested by a bank in non-standard debt-based assets (i.e. debt-based assets that are not traded in inter-bank markets or on securities exchanges) cannot, at any time, exceed 35% of the balance of the bank's wealth management products, or 4% of the bank's total assets as disclosed in its annual audit report for the prior fiscal year, whichever is lower.

Electronic Banking

The CBRC requires that each commercial bank seeking to establish an electronic banking business establish sound risk management and internal control systems and adopt security measures to ensure the confidentiality of clients' information and prevent unauthorized use of electronic banking accounts. In addition, the applicant should not have experienced any major system failure relating to its primary information management and operation systems in the year prior to its application.

Proprietary Investments

In general, commercial banks in the PRC are prohibited from making domestic investments other than in debt instruments issued by the PRC government and financial institutions, short-term commercial paper, medium-term notes and corporate bonds issued by qualified non-financial institutions, and certain derivative products. Unless approved by the PRC government, commercial banks in the PRC are prohibited from engaging in trust investment and securities businesses, investing in real property not for their own use, or investing in non-banking financial institutions and enterprises.

Derivatives

Under the Provisional Administrative Measures on Derivatives Business of Financial Institutions in Banking Industry (銀行業金融機構衍生產品交易業務管理暫行辦法), commercial banks in the PRC seeking to conduct derivatives business must obtain prior approval from the CBRC by meeting relevant qualification requirements. Commercial banks need to obtain a qualification from the CBRC before engaging in derivative product transactions relating to foreign currency, stock and commodities and derivative product transactions traded on exchanges. In addition, commercial banks need to follow the rules of relevant foreign exchanges to trade derivative products relating to foreign stock and commodities or traded on foreign exchanges.

Financial Innovation

On December 5, 2006, the CBRC promulgated the Guidelines on Financial Innovation of Commercial Banks (商業銀行金融創新指引) to encourage Chinese commercial banks to prudently engage in financial innovation by developing new businesses and products, improving existing businesses and products, expanding scope of business, improving cost efficiency and profitability and reducing reliance on the lending business. To facilitate financial innovation by Chinese commercial banks, the CBRC has indicated that it will streamline the examination and approval procedures for new products.

PRICING OF PRODUCTS AND SERVICES

Interest Rates for Loans and Deposits

Under the PRC Commercial Banking Law, banks are required to set interest rates on RMB-denominated loans and deposits within permitted ranges of the benchmark rates set by the PBOC. In recent years, the PBOC has gradually liberalized its regulation of interest rates, giving banks more discretion to determine interest rates for RMB-denominated loans and deposits. The following table sets forth, for the periods indicated, the permitted range of interest rates for RMB-denominated loans and deposits.

	Loans Since July 20, 2013(1)	Deposits Since June 8, 2012(2)
Maximum interest rates	No cap	110% of the PBOC benchmark rate, except for negotiated deposits
Minimum interest rates	No minimum	No minimum

Notes:

(1) From March 17, 2005 to August 18, 2006, interest rates for residential mortgage loans were regulated in the same way as most other types of loans. From August 19, 2006 to October 26, 2008, the minimum interest rates for personal commercial residential mortgage loans were 85% of the PBOC loan benchmark interest rate. Since October 27, 2008, the minimum interest rates for personal commercial residential mortgage loans have been changed to 70% of the PBOC loan benchmark interest rate. Since April 17, 2010, the minimum interest rates for the mortgage loans of the second residential property purchased by a PRC family have been changed to 110% of the PBOC loan benchmark interest rate. On July 20, 2013, the PBOC removed the minimum interest rate requirement for new loans provided by commercial banks, except that the minimum interest rates for new residential mortgage loans remained at 70% of the PBOC benchmark lending rates.

(2) Beginning on October 29, 2004, commercial banks in the PRC are permitted to set their own interest rates on RMB deposits so long as such interest rates are not higher than the relevant PBOC benchmark interest rates. However, these restrictions do not apply to interest rates on negotiated deposits, which are deposits by domestic insurance companies in amounts of RMB30 million or more or deposits by the provincial social security agencies in amounts of RMB500 million or more, both with a term longer than five years, or deposits of China Postal Savings Bank of RMB30 million or more with a term longer than three years (exclusive of three years).

From August 19, 2006 to July 6, 2012, the PBOC adjusted the benchmark interest rate for RMB-denominated loans and the benchmark interest rate for RMB-denominated deposits on 19 and 18 separate occasions, respectively. Since then and as of the Latest Practicable Date, the PBOC has not adjusted the benchmark interest rate for RMB-denominated loans and the benchmark interest rate for RMB-denominated deposits.

The following table sets forth the PBOC benchmark interest rates for RMB-denominated loans since August 19, 2006.

Date of adjustment	Six months or less	Six months to one year (inclusive of one year)	One to three years (inclusive of three years)	Three to five years (inclusive of five years)	More than five years	Housing Provident Fund Loans: Five years or less	Housing Provident Fund Loans: More than five years
	(Interest rate per annum %)						
August 19, 2006	5.58	6.12	6.30	6.48	6.84	4.14	4.59
March 18, 2007	5.67	6.39	6.57	6.75	7.11	4.32	4.77
May 19, 2007	5.85	6.57	6.75	6.93	7.20	4.41	4.86
July 21, 2007	6.03	6.84	7.02	7.20	7.38	4.50	4.95
August 22, 2007	6.21	7.02	7.20	7.38	7.56	4.59	5.04
September 15, 2007	6.48	7.29	7.47	7.65	7.83	4.77	5.22
December 21, 2007	6.57	7.47	7.56	7.74	7.83	4.77	5.22
September 16, 2008	6.21	7.20	7.29	7.56	7.74	4.59	5.13
October 9, 2008	6.12	6.93	7.02	7.29	7.47	4.32	4.86
October 30, 2008	6.03	6.66	6.75	7.02	7.20	4.05	4.59
November 27, 2008	5.04	5.58	5.67	5.94	6.12	3.51	4.05
December 23, 2008	4.86	5.31	5.40	5.76	5.94	3.33	3.87
October 20, 2010	5.10	5.56	5.60	5.96	6.14	3.50	4.05
December 26, 2010	5.35	5.81	5.85	6.22	6.40	3.75	4.30
February 9, 2011	5.60	6.06	6.10	6.45	6.60	4.00	4.50
April 6, 2011	5.85	6.31	6.40	6.65	6.80	4.20	4.70
July 7, 2011	6.10	6.56	6.65	6.90	7.05	4.45	4.90
June 8, 2012	5.85	6.31	6.40	6.65	6.80	4.20	4.70
July 6, 2012	5.60	6.00	6.15	6.40	6.55	4.00	4.50

The following table sets forth the PBOC benchmark interest rates for RMB-denominated deposits since August 19, 2006.

Date of adjustment	Demand deposits	Time deposits: Three months	Six months	One year	Two years	Three years	Five years
	(Interest rate per annum %)						
August 19, 2006	0.72	1.80	2.25	2.52	3.06	3.69	4.14
March 18, 2007	0.72	1.98	2.43	2.79	3.33	3.96	4.41
May 19, 2007	0.72	2.07	2.61	3.06	3.69	4.41	4.95
July 21, 2007	0.81	2.34	2.88	3.33	3.96	4.68	5.22
August 22, 2007	0.81	2.61	3.15	3.60	4.23	4.95	5.49
September 15, 2007	0.81	2.88	3.42	3.87	4.50	5.22	5.76
December 21, 2007	0.72	3.33	3.78	4.14	4.68	5.40	5.85
October 9, 2008	0.72	3.15	3.51	3.87	4.41	5.13	5.58
October 30, 2008	0.72	2.88	3.24	3.60	4.14	4.77	5.13
November 27, 2008	0.36	1.98	2.25	2.52	3.06	3.60	3.87
December 23, 2008	0.36	1.71	1.98	2.25	2.79	3.33	3.60
October 20, 2010	0.36	1.91	2.20	2.50	3.25	3.85	4.20
December 26, 2010	0.36	2.25	2.50	2.75	3.55	4.15	4.55
February 9, 2011	0.40	2.60	2.80	3.00	3.90	4.50	5.00
April 6, 2011	0.50	2.85	3.05	3.25	4.15	4.75	5.25
July 7, 2011	0.50	3.10	3.30	3.50	4.40	5.00	5.50
June 8, 2012	0.40	2.85	3.05	3.25	4.10	4.65	5.10
July 6, 2012	0.35	2.60	2.80	3.00	3.75	4.25	4.75

The PBOC generally does not regulate interest rates for foreign currency-denominated loans or deposits, except for U.S. dollar-, Hong Kong dollar-, Japanese Yen- and Euro-denominated deposits of less than US$3 million (or the equivalent) and with a term of one year or less. For these small sized short-term foreign currency deposits, the maximum interest rates may not exceed the PBOC benchmark interest rates.

Under the Notice of Further Promoting Market-Oriented Reform of Interest Rates (中國人民銀行關於進一步推進利率市場化改革的通知) issued by the PBOC, commercial banks may determine the discount rates for their discounted bills from July 20, 2013.

Pricing for Fee- and Commission-based Products and Services

Under the Tentative Administrative Measures on Pricing of Commercial Banking Services (商業銀行服務價格管理暫行辦法), the CBRC and the NDRC specify the types of banking services that are subject to governmental pricing guidelines, which include but is not limited to, basic RMB settlement services, such as bank drafts, bank acceptance drafts, promissory notes, checks, remittances, entrusted collection and collection with acceptance. Commercial banks may determine prices for other products and services based on market conditions, as long as they report to the CBRC at least 15 business days prior to the implementation of any new fees; and post such fees at their business premises at least 10 business days prior to such implementation. In recent years, the CBRC, the PBOC and the NDRC have taken initiatives to waive or reduce fees charged by commercial banks on certain fee- and commission-based products and services.

STATUTORY DEPOSIT RESERVE AND SURPLUS DEPOSIT RESERVE

Commercial banks are required to maintain a percentage of their total deposits as reserves with the PBOC to ensure they have sufficient liquidity to meet customer withdrawals. As of the Latest Practicable Date, we were required to maintain a deposit reserve of no less than 18.0% of our total RMB deposits according to the relevant requirements of the PBOC.

The following table sets forth the historical data for the RMB statutory deposit reserve ratio applicable to us for recent years, which we have complied with. The PBOC made no adjustment to the required deposit reserve ratio from May 19, 2012 up to the Latest Practicable Date.

Date of adjustment	Renminbi required reserve ratios(%)
January 25, 2008	15.0
March 25, 2008	15.5
April 25, 2008	16.0
May 20, 2008	16.5
June 15, 2008	17.0
June 25, 2008	17.5
September 25, 2008	16.5
October 15, 2008	16.0
December 5, 2008	14.0
December 25, 2008	13.5
January 18, 2010	14.0
February 25, 2010	14.5
May 10, 2010	15.0
November 16, 2010	15.5
November 29, 2010	16.0
December 20, 2010	16.5
January 20, 2011	17.0
February 24, 2011	17.5
March 25, 2011	18.0
April 21, 2011	18.5
May 18, 2011	19.0
June 20, 2011	19.5
December 5, 2011	19.0
February 24, 2012	18.5
May 18, 2012	18.0

SUPERVISION OVER CAPITAL ADEQUACY

Capital Adequacy Guidelines

Prior to January 1, 2013, we were subject to the Capital Adequacy Regulations (商業銀行資本充足率管理辦法). The Capital Adequacy Regulations required commercial banks to maintain a minimum capital adequacy ratio of 8% and a minimum core capital adequacy ratio of 4%. In addition, it required commercial banks to calculate their capital adequacy ratios after taking into account adequate allowances made for various losses, such as the allowance for loan losses.

In accordance with the Capital Adequacy Regulations, the capital adequacy ratio and the core capital adequacy ratio were calculated under PRC GAAP as follows:

$$\text{Capital adequacy ratio} = \frac{\text{Capital} - \text{capital deductions}}{\text{Risk-weighted assets} + 12.5 \times \text{capital charge for market risk}} \quad \text{X} \quad 100\%$$

$$\text{Core capital adequacy ratio} = \frac{\text{Core capital} - \text{core capital deductions}}{\text{Risk-weighted assets} + 12.5 \times \text{capital charge for market risk}} \quad \text{X} \quad 100\%$$

In the preceding formula:

Capital	includes both core capital and supplementary capital.
Core Capital	includes paid-in capital or common shares, capital reserve, surplus reserve, general reserve, retained earnings and minority interests.
Supplementary Capital	includes up to 70% of the reserve for revaluation, general provisions, preference shares, qualifying convertible bonds, qualifying long-term subordinated debt, qualifying hybrid capital bonds and changes in fair value. (any positive change of no more than 50% to the fair value of available-for-sale bonds that have been included as part of the owners' equity interests may be calculated as supplementary capital; and any negative change to the fair value shall be deducted from supplementary capital in full. When a commercial bank calculates its capital adequacy ratio, it shall transfer the fair value of available-for-sale bonds that have been included in the capital reserves from the core capital into the supplementary capital).
Capital deductions	include goodwill, capital investments in non- consolidated financial institutions, and equity investments in non-banking financial institutions and enterprises and capital investment in real estate not for self-use.
Core capital deductions	include goodwill, 50% of capital investments in non- consolidated financial institutions, and 50% of equity investments in non-banking financial institutions and enterprises and capital investment in real estate not for self-use.
Risk-weighted assets	refer to the assets calculated by multiplying the value of on- and off-balance-sheet assets by their corresponding risk weightings, after taking into account risk-mitigating factors.
Market risk capital	refers to the capital reserve that a bank is required to maintain for the market risks relating to its assets. Domestic banks with total trading book positions greater than the lower of 10% of the bank's total on- and off-balance sheet assets and over RMB8,500 million are required to make provisions for market risk capital.

The following table sets forth risk weightings for different assets.

Risk Weighting	Assets
0%	• cash on hand • gold • claims on PRC incorporated commercial banks with an original maturity of four months or less • claims on the PRC central government or deposits at the PBOC • claims on PBOC • claims on PRC policy banks • bonds issued by PRC financial asset management companies for the purpose of acquiring non-performing loans from state-owned banks • claims on non-PRC central governments or central banks in countries or regions rated AA- or above[1] • claims on multilateral development banks
20%	• claims on PRC incorporated commercial banks with an original maturity of more than four months • claims on non-PRC commercial banks and securities companies incorporated in other countries or regions rated AA- or above[1]
50%	• personal residential mortgage loans • claims on public-sector enterprises invested by the PRC central government • claims on non-PRC public-sector enterprises invested by governments of countries or regions rated AA- or above[1]
100%	• all other assets

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

Recent Regulatory Development on Capital Adequacy

Since January 1, 2013, we have been subject to the New Capital Adequacy Regulations (Provisional), which in view of the new international capital regulatory framework and the spirit of Basel II and Basel III, establish a unified and comprehensive regulatory system for capital adequacy, re-define the term "capital," expand the scope of capital risk coverage and set forth different regulatory requirements for commercial banks with different capital adequacy levels. Also, the rules set forth a new method for calculate the capital adequacy ratio and provide a transition period for Chinese commercial banks to meet their capital adequacy requirements progressively.

The new capital adequacy ratio can be summarized as follows:

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

$$\text{Tier-one Capital Adequacy Ratio} = \frac{\text{Tier-one capital – corresponding capital deduction}}{\text{Risk-weighted assets}} \times 100\%$$

$$\text{Core Tier-one Capital Adequacy Ratio} = \frac{\text{Core tier-one capital – corresponding capital deduction}}{\text{Risk-weighted assets}} \times 100\%$$

In the preceding formula:

Total capital . . . . includes core Tier-one capital, additional Tier-one capital and Tier-two capital.

Core Tier-one capital . . . . includes paid-in capital or ordinary shares, capital reserve, surplus reserve, general reserve, retained earnings and applicable portions of capital from minority shareholders.

Additional Tier-one capital . . . . includes additional Tier-one capital instruments and their premiums and applicable portions of capital from minority shareholders. Additional tier-one capital instruments issued by commercial banks are subject to the criteria set forth in the New Capital Adequacy Regulations (Provisional).

Tier-two capital . . . . includes Tier-two capital instruments and their premiums, over-provision for loan losses and applicable portions of capital from minority shareholders.

Corresponding capital deductions . . . . include goodwill, other intangible assets (other than land use rights), net deferred-tax assets arising from operating losses, inadequate provision for impaired loans, gains from sales of asset securitization, net pension assets determined to be under beneficiary category, direct or indirect holding of the bank's own shares, and unrealized gains and losses arising from the change in the fair value of debts of commercial banks due to the change in the credit risk of the commercial banks; and minus any positive amount or plus any negative amount of reserve of cash flow generated from hedging for items not measured at their fair values on the balance sheet.

Risk-weighted assets . . . . include credit risk weighted assets, market risk weighted assets and operational risk weighted assets.

Commercial banks can adopt the weighted method or the internal ratings-based approach to measure credit risk weighted assets.

Market risk weighted assets are measured by multiplying the required capital amount for market risk by 12.5. Calculation of market risk capital should take into consideration the interest rate risk and stock risk associated with the banks' trading accounts as well as exchange rate risk and commodity risk. Commercial banks may adopt the standard method or the internal model method to measure the required capital for market risk.

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

In accordance with the New Capital Adequacy Regulations (Provisional), we are required to maintain a minimum core Tier-one capital adequacy ratio of 5.0%, a Tier-one capital adequacy ratio of 6.0% and a capital adequacy ratio of 8.0%, beginning January 1, 2013. Pursuant to the Notice of Interim Arrangement for Implementation of the New Capital Adequacy Regulations (《中國銀監會關於實施〈商業銀行資本管理辦法（試行）〉過渡期安排相關事項的通知》), the CBRC encourages the commercial banks who had satisfied the capital adequacy requirements in the New Capital Adequacy Regulations before the end of 2012 to continue to meet such requirements during the transition period, and the commercial banks who had failed to meet such requirements by the end of 2012 to gradually improve their capital adequacy during the transition period by satisfying the following year-by-year capital adequacy requirements:

Type of bank	Item	By the end of 2013	By the end of 2014	By the end of 2015	By the end of 2016	By the end of 2017	By the end of 2018
Systematically important banks	Core Tier-one capital adequacy ratio	6.5%	6.9%	7.3%	7.7%	8.1%	8.5%
	Tier-one capital adequacy ratio	7.5%	7.9%	8.3%	8.7%	9.1%	9.5%
	Capital adequacy ratio	9.5%	9.9%	10.3%	10.7%	11.1%	11.5%
Other banks	Core Tier-one capital adequacy ratio	5.5%	5.9%	6.3%	6.7%	7.1%	7.5%
	Tier-one capital adequacy ratio	6.5%	6.9%	7.3%	7.7%	8.1%	8.5%
	Capital adequacy ratio	8.5%	8.9%	9.3%	9.7%	10.1%	10.5%

We have already met the minimum capital adequacy requirements. As of June 30, 2013, our core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 9.24%, 9.25% and 11.90%, compared to the respective stipulated ratios 7.5%, 8.5% and 10.5% that we must meet by the end of 2018 under the New Capital Adequacy Regulations (Provisional). We regard capital management as an important aspect of our business. We monitor our capital ratios closely to ensure compliance with CBRC requirements. We plan to maintain our capital adequacy by increasing our share capital through certain event, generating internal capital and issuing debts. We will also develop businesses that are more capital efficient, such as fee-based businesses, and will continue to closely monitor the return on our risk weighted assets.

Subordinated Debt and Subordinated Bonds

Pursuant to the Measures for Administration on Issuance of Subordinated Bonds of Commercial Banks (商業銀行次級債券發行管理辦法) jointly promulgated by the PBOC and the CBRC, a Chinese commercial bank may, upon approval by the CBRC, include subordinated bonds in the bank's supplementary capital. Subordinated bonds may be sold either in a public offering in the national inter-bank bond market or in a private placement. The balance of subordinated bonds issued by other banks and held by a Chinese commercial bank may not exceed 20% of its core capital. The PBOC regulates the issuance and trading of subordinated bonds in the inter-bank bond market.

On December 12, 2005, the CBRC issued the Notice Regarding the Issuance of Hybrid Capital Bonds by Commercial Banks for the Replenishment of Supplementary Capital (關於商業銀行發行混合資

本債券補充附屬資本有關問題的通知), permitting eligible commercial banks to issue hybrid capital bonds in the inter-bank market and include such bonds in their supplementary capital. The introduction of hybrid capital bonds in the PRC opened a new channel for commercial banks to replenish their supplementary capital and improve their capital adequacy ratio.

On October 18, 2009, the CBRC issued the Notice on Improving the Mechanism for Capital Replenishment of Commercial Banks (關於完善商業銀行資本補充機制的通知), which requires national commercial banks (including China Development Bank, the state-owned commercial banks and joint-stock commercial banks) and other commercial banks to maintain a core capital adequacy ratio of no less than 7% and 5%, respectively, if they seek to issue long-term subordinated debt to replenish their supplementary capital. The national commercial banks and other banks should not issue long-term subordinated debt which constitutes more than 25% and 30% of their respective core capital. To calculate their capital adequacy ratio, banks should fully deduct any long-term subordinated debt issued by other banks that they acquired after July 1, 2009.

The New Capital Adequacy Regulations (Provisional) issued by the CBRC on June 7, 2012 re-define the term "capital" to include core Tier-one capital, additional Tier-one capital and Tier-two capital. Under this regulation, non-qualified Tier-two capital instruments issued prior to September 12, 2010 may be included in regulatory capital before January 1, 2013, but should be reduced by 10% per annum starting from January 1, 2013 and excluded entirely from regulatory capital starting from January 1, 2022. Tier-two capital instruments issued by commercial banks from September 12, 2010 to January 1, 2013 that do not carry discounting or share conversion terms but meet other requisite criteria of relevant capital instruments may be included in regulatory capital prior to January 1, 2013, but should be reduced by 10% per annum starting from January 1, 2013 and excluded entirely from regulatory capital starting from January 1, 2022.

On November 29, 2012, the CBRC issued the Guidance on the Innovation of Capital Instruments by Commercial Banks (關於商業銀行資本工具創新的指導意見), according to which additional Tier-one and Tier-two capital instruments issued by a commercial bank after January 1, 2013 must contain a provision that requires such instruments to either be written down or converted into common stock upon the occurrence of a triggering event. A triggering event for additional Tier I instruments occurs when the core Tier-one capital adequacy ratio of the commercial bank falls to or below 5.125%. A Tier-two instrument triggering event occurs when the CBRC decides that a write-off or an equity conversion is necessary (without which the commercial bank would become non-viable) or the relevant authorities decide to effect a public sector capital injection or equivalent support (without which the commercial bank would become non-viable) whichever is earlier.

Small-business bonds

In October 2011, the CBRC issued the Supplementary Notice on Supporting Commercial Banks to Further Improve the Financing Services Offered to Small-businesses (中國銀監會關於支持商業銀行進一步改進小型微型企業金融服務的補充通知), which allows commercial banks to issue bonds for the purpose of financing small businesses.

CBRC Supervision of Capital Adequacy

The CBRC supervises and examines the capital adequacy levels of commercial banks through off-site surveillance and on-site examination. Commercial banks are required to report to the CBRC their unconsolidated capital adequacy ratios on a quarterly basis and their consolidated capital adequacy ratios on a semi-annual basis.

The CBRC classifies commercial banks into four categories based on their capital adequacy status and take corresponding actions as follows:

Category	Capital Adequacy Status	CBRC actions
Category 1	capital adequacy ratio, Tier–one capital adequacy ratio and core Tier–one capital adequacy ratio all meet the relevant capital requirements of different levels	● require the bank to strengthen its analysis and forecasts on the reasons of declines in its capital adequacy ratio ● require the bank to formulate a feasible plan on the management of capital adequacy ratio ● require the bank to improve its risk control abilities
Category 2	capital adequacy ratio, Tier–one capital adequacy ratio and core Tier–one capital adequacy ratio do not meet the Pillar 2 capital requirements, but are not lower than other levels of capital requirements	● take the regulatory actions for Category 1 banks ● meet with the board and senior management of the bank to discuss prudential management ● issue a supervisory notice, the contents of which include the bank's existing capital management issues, corrective measures to be taken and timelines for compliance ● require the bank to formulate a feasible capital replenishment plan and a compliance plan with target timelines ● increase the frequency of inspection on the bank's capital adequacy ● require the bank to adopt risk-mitigation measures for specific risks
Category 3	capital adequacy ratio, Tier-one capital adequacy ratio and core Tier-one capital adequacy ratio meet the minimum capital requirements but fail to meet other levels of capital requirements	● take the regulatory actions for Category 1 and Category 2 banks ● restrict distribution of bonuses and other incomes by the bank ● restrict the offering of any incentive schemes to directors and senior management of the bank ● restrict the bank from making equity investment or repurchasing capital instruments ● restrict significant capital expenditures ● require the bank to control the expansion of risk assets

Category	Capital Adequacy Status	CBRC actions
Category 4	any of the capital adequacy ratio, Tier-one capital adequacy ratio and core Tier-one capital adequacy ratio fails to meet the minimum capital requirements	• take the regulatory actions for Category 1, Category 2 and Category 3 banks • require the bank to substantially reduce the amount of risk assets • order the bank to suspend all businesses involving high risk assets • restrict or forbid the establishment of new branches or the launch of new businesses • discount Tier-two capital instruments or convert them into ordinary shares • order the bank to change its directors and senior management or restrict their rights and authorities • take over the bank or procure the restructuring of the bank until it is being revoked according to the laws

Basel Accords

Basel I, formulated by the Basel Committee on Banking Supervision in 1988, is a capital measurement system for banks that provides for the implementation of a credit risk measurement framework with a minimum capital adequacy ratio of 8%. In 2004, the Basel Committee on Banking Supervision published Basel II to replace Basel I. Basel II retains the key elements of Basel I, including the general requirement for banks to hold total capital equivalent to at least 8% of their risk-weighted assets. In addition, Basel II seeks to improve the capital regulatory framework through the introduction of three "pillars." Pillar 1 seeks to improve the capital framework's sensitivity to the risk of credit losses generally by aligning capital requirements more closely to the level of credit risk presented by a bank's borrowers, introducing three different options for measuring credit risk based on external or internal credit risk ratings, and establishing an explicit capital charge for a bank's exposure to the risk of loss caused by operational failures. Pillar 2 introduces standards for the supervisory review of a bank's internal assessments of its overall risks. Pillar 3 seeks to subject banks to increased market discipline by enhancing the degree of transparency in public reporting. Basel II also introduces material changes to the calculation approach of capital adequacy ratio. The CBRC has issued a series of regulations to implement Basel II since its introduction.

In December 2010, the Basel Committee formally released the latest version of capital accord, or Basel III. In light of Basel III, the CBRC announced new capital adequacy, liquidity and loan allowance requirements for commercial banks in China, some of which are more stringent than that of Basel III. For example:

- *Capital adequacy and leverage requirements*. The new guidelines reclassified the existing two minimum capital adequacy requirements into three levels of capital adequacy requirements, namely core Tier–one capital adequacy ratio, Tier–one capital adequacy ratio and capital adequacy ratio, which shall be no less than 5% (0.5% higher than the regulatory requirements of Basel III), 6%, and 8% respectively. In addition, the new guidelines introduced a countercyclical capital regulatory framework, including retained excess capital of 2.5% and countercyclical excess capital of a 0-2.5%. Moreover, an additional capital requirement (tentatively set as 1%) was imposed for the systemically important banks (i.e. banks that are considered fundamental to the well-being of the domestic banking industry as a whole), which mean that the systemically important banks are required to maintain a core Tier–one capital adequacy ratio, Tier–one capital adequacy ratio and capital adequacy ratio of no less than 8.5%, 9.5% and 11.5%, respectively. The non-systemically important banks are required to maintain such ratios of no less than 7.5%, 8.5% and 10.5%, respectively. The leverage ratio, i.e. the ratio of Tier–one capital to adjusted on-and-off-balance sheet exposure, shall be no less that 4%, which is 1% higher than the regulatory requirements of Basel III.

- *Liquidity requirements*. Commercial banks are required to maintain a liquidity coverage ratio of no less than 100% by the end of 2013 and a net stable funding ratio of no less than 100% by the end of 2016.
- *Loan loss allowances requirements*. Systematically important banks are required to maintain a loan allowance ratio (the ratio of loan loss allowances to loans) of no less than 2.5% and an allowance coverage (the ratio of loan loss allowance to non-performing loan) of no less than 150% by the end of 2013. The non-systemically important banks are required to achieve such ratios by the end of 2016 or 2018, depending on their profitability and additional allowance for loan losses.

The CBRC is conducting empirical research on the new Basel III standards, and considering measures to facilitate the parallel implementation of Basel II and Basel III. We aim to comply with the requirements set forth as above within the applicable timeframe set out by the new guidelines and rules.

LOAN CLASSIFICATION, ALLOWANCE AND WRITE-OFFS

Loan Classification

Commercial banks in the PRC are required to classify loans under a five-category loan classification system based on the estimated likelihood of full repayment of principal of and interest on loans by borrowers in a timely manner, according to the Guidelines of Risk-based Classification of Loans (貸款風險分類指引). The five categories are "normal," "special mention," "substandard," "doubtful" and "loss." Loans classified as substandard, doubtful or loss are considered non-performing loans. The primary factors for evaluating the likelihood of repayment include the borrower's cash flow, financial condition and credit history.

Loan Allowance

According to the Guidelines of Risk-based Classification of Loans, commercial banks are required to make full provisions for loan losses on a timely basis and write off loan losses in accordance with the relevant requirements.

According to the Guidelines on Bank Loan Loss Provisions (銀行貸款損失準備計提指引), allowance for loan losses consists of general allowance, specific allowance and special allowance. General allowance refers to the allowance for all unidentified but possible losses, which are made based on certain percentages of the balance of total loans; specific allowance refers to the allowance made for specific losses in connection with an individual loan based on its risk categorization under the Guiding Principles on Risk Classification of Loans (貸款風險分類指導原則); and special allowance refers to the allowance made for the risks of a particular country, region, industry, or a particular type of loans.

Commercial banks are required to make provisions for impairment losses on a quarterly basis and have a general allowance of no less than 1% of the total loans outstanding as of December 31 of each year. The guidelines on specific allowance are as follows: 2% for special mention loans; 20%-30% for substandard loans; 40%-60% for doubtful loans; and 100% for loss loans. Commercial banks may make special allowance in accordance with special risk factors (including risks associated with certain industries and countries), probability of losses and historical experience.

Pursuant to the Administrative Measures for Provision for Loss on Commercial Banks' Loans (商業銀行貸款損失準備管理辦法) promulgated by the CBRC, the CBRC set the benchmarks for loan provision ratio and provision coverage ratio to examine the adequacy of provision for loan loss of commercial banks. The benchmarks for loan provision ratio and provision coverage ratio are 2.5% and 150% respectively, the higher of which shall be the regulatory benchmark for provision for loan loss of commercial banks. Systematically important banks are required to meet this standard by 2013 while non-systematically important banks are required to meet this by 2016. Any bank failing to meet this standard by 2016 is required to formulate a plan on how to meet the standard, report it to the CBRC and meet the standard by 2018.

CBRC Supervision of Loan Classification and Loan Allowance

Commercial banks are required to formulate detailed internal procedures to clearly define the responsibilities of each relevant department with respect to loan classification, approval, review and other matters. In addition, commercial banks must submit quarterly and annual reports to the CBRC on the classification of their loan portfolios and their allowance for loan losses. Based on the review of these reports, the CBRC may require commercial banks to explain significant changes in loan classification and loan loss allowance levels and may carry out further inspections accordingly. Since 2012, commercial banks shall provide information on loan loss provision to the CBRC on a monthly basis, including the balances of loan loss provision as at the beginning and end of the period, the amounts provided, reversed and written off for the current period and loan provision ratios and provision coverage ratios as at the beginning and end of the period.

Loan Write-offs

Under regulations issued by the CBRC, PBOC and the MOF, commercial banks are required to establish a strict examination and approval process to write off loan losses. A loan to be written off must meet the standards set by the MOF. Commercial banks may deduct the losses realized from loan write-offs for tax purposes, subject to the review and approval of the tax authorities.

Allowance and Statutory General Reserve for Impairment Losses

On March 30, 2012, the MOF issued the Administrative Measures for the Provisioning of Financial Enterprises (金融企業準備金計提管理辦法), which provide that the balance of general allowance shall, in principle, be not less than 1.5% of a financial institution's risk-bearing assets at the end of the period. Financial institutions that have adopted standard methods to calculate the statutory general reserve should temporarily use the following standard risk coefficient of credit assets: 1.5% for normal loans, 3% for special mention loans, 30% for substandard loans, 60% for doubtful loans and 100% for loss loans. Financial institutions that fail to achieve the foregoing 1.5% ratio are required to meet this requirement in no more than five years in principle.

Other Operational and Risk Management Ratios

The CBRC sets forth certain core operations and risk management indicators in the Core Indicators (Provisional). The purpose of the core regulatory ratios, as set out in the Core Indicators (Provisional), is to enhance the identification, assessment and early alert of risks facing commercial banks so as to effectively prevent financial risks. The CBRC collects the core regulatory ratios from commercial banks on a regular basis through its off-site supervisory system, to timely assess and predict the risk level of such banks. The following table sets forth the required regulatory ratios as provided in the Core Indicators (Provisional) and our ratios as of December 31, 2010, 2011 and 2012 and September 30, 2013, calculated in accordance with the PRC GAAP.

				Ratios of the Bank (%)			
				as of December 31,			as of September 30,
Risk Level	Primary indicators	Secondary Indicators	Requirement (%)	2010	2011	2012	2013
Risk Level							
Liquidity risk	Liquidity ratio(1)	RMB and Foreign currency	≥25	35.81	38.48	35.17	27.17
	Core liabilities ratio(2)		≥60	62.86	64.50	57.05	58.80
	Liquidity gap ratio(3)		≥(10)	(3.14)	9.12	(10.10)	(8.58)
Credit risk	Non-performing asset ratio(4)		≤4	0.43	0.34	0.34	0.32
		NPL ratio(5)	≤5	0.60	0.48	0.58	0.58
	Credit exposure to a single group client(6)		≤15	12.07	9.04	7.18	7.19
		Loan exposure to a single client(7)	≤10	9.10	6.40	5.05	4.32
	Overall credit exposure to related parties(8)		≤50	20.37	5.16	4.53	2.03
Market risk . . .		Cumulative foreign currency exposure ratio(9)	≤20	0.13	0.10	0.08	0.13
Risk cushion profitability . . .		Cost-to-income ratio(10)	≤45	29.39	27.09	26.60	24.91
	Return on assets(11)		≥0.6	1.46	1.50	1.48	1.42
	Return on capital(12)		≥11	19.89	22.22	22.93	22.68
Allowance adequacy . . .		Allowance adequacy ratio for asset losses(13)	>100	375.76	466.11	391.25	374.29
		Allowance adequacy ratio for loan losses(14)	>100	471.92	579.43	463.32	428.12
Capital adequacy . . .		Capital adequacy ratio(15)	≥8	12.06	14.68	13.54	12.22
		Core capital adequacy ratio(16)	≥4	11.19	10.87	10.30	9.55

Notes:

Calculated as follows:

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

(2) Core liabilities ratio = amount of core liabilities/amount of total liabilities x 100%. Core liabilities refer to the combined amount of time deposits with remaining maturities of 90 days or more, issued debt securities with remaining maturities of 90 days or more, and the minimum amount of demand deposits in the 12 months prior to the date of the financial report. Total liabilities refer to total liabilities on the balance sheet prepared under PRC GAAP. Core liabilities ratio indicates a bank's liquidity position by measuring the amount of liabilities that not expected to be paid off in near term, which represent relatively stable funding sources of the bank.

(3) Liquidity gap ratio = liquidity gap/amount of on- and off-balance sheet assets due within 90 days x 100%. Liquidity gap refers to the amount of on- and off-balance sheet assets with maturities of 90 days or less minus the amount of on- and off-balance sheet liabilities with remaining maturities of 90 days or less. According to the reporting guidance issued by the CBRC, we deducted the amount of the lowest balance of demand deposits in the 12 months prior to the reporting date, when calculating the amount of on- and off-balance sheet liabilities with maturities of 90 days or less. Liquidity gap ratio indicates a bank's liquidity position by measuring its ability to meet short-term liabilities with short-term assets.

(4) Non-performing asset ratio = amount of non-performing assets subject to credit risk/amount of assets subject to credit risk x 100%. Non-performing credit risk assets include non-performing loans and other credit risk assets categorized as non-performing. The categorization of non-loan credit risk assets is in accordance with relevant CBRC regulations.

(5) NPL ratio = (substandard loans + doubtful loans + loss loans) / all types of loans x 100%. The five category loan classification system is implemented in accordance with the relevant regulations and requirements including the Guiding Principles of Risk Classification of Loans (貸款風險分類指導原則). Loans refer to the assets financed by the banking financial institutions to borrowers in the form of monetary fund, which primarily include loans, trade financing, bill financing, financing lease, assets purchased under agreements to resell from non-financial institutions, overdraft and all kinds of advances.

(6) Credit exposure to a single group-client = total credit granted to the largest single group-client/net capital x 100%. Largest group-client refers to the single group-client granted the highest credit limit at the end of the period.

(7) Loan exposure to a single-client = total loans to the largest single-client/net capital x 100%. Largest single-client refers to the client with the highest balance of loans at the end of the period.

(8) Overall credit exposure to related parties = total granted credit limit to all related parties/net capital x 100%. The related party is defined under the Administrative Measures for Related Party Transactions between the Commercial Banks and their Insiders and Shareholders (商業銀行與內部人和股東關聯交易管理辦法) and the relevant regulations. Total granted credit limit to all related parties refers to total credit balance granted to such parties minus cash deposit guarantees and collateral in the form of bank deposits and PRC government bonds.

(9) Cumulative foreign currency exposure ratio = amount of cumulative foreign currency exposure/net capital x 100%. Cumulative foreign currency exposure refers to exchange rate sensitive foreign currency assets subtracted by exchange rate sensitive foreign currency liabilities.

(10) Cost-to-income ratio = operating expenses/operating income x 100%, prepared under PRC GAAP.

(11) Return on assets = net profit/average balance of assets x 100%.

(12) Return on capital = net profit/average balance of shareholders' equity for the period x 100%.

(13) Allowance adequacy ratio for asset losses = actual amount of allowance for assets subject to credit risk/required amount of allowance for assets subject to credit risk x 100%.

(14) Allowance adequacy ratio for loan losses = actual amount of allowance for loans/required amount of allowance for loans x 100%. The required amount of allowance for loans is calculated based on the methodology under the PBOC guidelines as described under "– Loan Classification, Allowance and Write-offs – Loan Allowance."

(15) Capital adequacy ratio (as of December 31, 2010, 2011 and 2012) = (core capital + supplementary capital– capital deductions)/(risk-weighted assets + 12.5 x capital charge for market risk) x 100%. Capital adequacy ratio (as of June 30, 2013) = (Core Tier-one capital – corresponding capital deduction) / risk-weighted assets x 100%.

(16) Core capital adequacy ratio = (core capital – core capital deductions)/(risk-weighted assets + 12.5 x capital charge for market risk) x 100%. Core capital adequacy ratio of June 30, 2013 refers to Core tier-one capital adequacy ratio. Core Tier-one capital adequacy ratio = (Core Tier-one capital – corresponding capital deduction) / risk-weighted assets x 100%.

While remaining in compliance with the relevant regulatory ratio requirement, our liquidity ratio decreased from 35.17% as of December 31, 2012 to 27.17% as of September 30, 2013. The decrease was mainly due to the combined effect of (i) our pledge of debt securities to secure treasury time deposits and placements from banks and other financial institutions, resulting in a decrease in current assets; and (ii) increased deposits from banks and other financial institutions due within one month.

As of December 31, 2012 and September 30, 2013, our core liabilities ratio was 57.05% and 58.80%, respectively, which did not satisfy the core liabilities ratio requirement under the Core Indicators (Provisional). Such non-compliance was mainly attributable to the increase of our funds from inter-bank market, which are considered non-core liabilities, as a percentage of our total liabilities, as our funding sources continued to diversify. In addition, our liquidity gap ratio as of December 31, 2012 was (10.10)%, which did not satisfy the liquidity gap ratio requirement under the Core Indicators (Provisional). Such non-compliance was mainly due to (i) a decrease in investment securities with remaining maturities of 90 days or less and (ii) an increase in demand deposits, resulting in an increase in liabilities with remaining maturities of 90 days or less.

In order to comply with the core liabilities ratio and liquidity gap ratio requirements, we aim to (1) increase our core liabilities by further enhancing the sales and marketing capabilities of our branch network to attract more mid-term and long-term deposits; (2) expand our reserve of easily liquidated assets and (3) closely monitor our liquidity risk and maintain a reasonable amount of inter-bank assets and liabilities through strengthened asset and liability management. Our PRC legal adviser, King & Wood Mallesons, has advised us that the Core Indicators (Provisional) do not provide for any penalty for failing to comply with the ratios set forth therein. As stated in the Core Indicators (Provisional), the core regulatory ratios serve as indicators of commercial banks' risk identification, monitoring and alert only, and do not constitute a direct basis of any regulatory penalties or other sanctions. In addition, failure to meet the core liabilities ratio or liquidity gap ratio does not necessarily cause any immediate, significant liquidity risk. Therefore, our non-compliance with the core liabilities ratio and liquidity gap ratio historically has not resulted in, nor do we expect it to result in, any penalty against us or otherwise have any material adverse effect on our financial performance. However, according to the Core Indicators (Provisional), the CBRC may initiate regulatory meetings with, or issue guidance to, commercial banks based on its analysis of the regulatory ratios provided by such banks. Therefore, commercial banks that have failed to comply with regulatory ratio requirements may be subject to regulatory meetings or receive guidance from the CBRC. However, in general, the CBRC will not impose any specific restrictions on business activities of commercial banks for failure to meet certain liquidity risk ratio requirements, or request the bank to adjust its position in a particular asset or liability. Therefore, we do not believe our non-compliance with the core liabilities ratio will have a direct negative impact on our financial performance.

In addition, the Core Indicators (Provisional) has also defined several other ratios, including sensitivity of interest rate risk, operational risk loss ratio, normal loan migration ratio and non-performing loan migration ratio, without providing detailed guidance. The CBRC may formulate regulatory provisions with respect to such ratios in the future.

CORPORATE GOVERNANCE AND INTERNAL CONTROL

Corporate Governance

Corporate governance requirements for commercial banks are clearly set forth in the PRC Company Law, the PRC Commercial Banking Law and other applicable laws and regulations. In particular, the Corporate Governance Guidelines, which promulgated by the CBRC promulgated on July 19, 2013, requires the commercial banks to set up a corporate governance structure abide within line with the principles of independent operation, effective check and balance and mutual cooperation, and in view of establishing a rational reasonable motivation incentive and control restraint mechanism for rational and effective decision-making, execution and supervision and efficient decision and supervision system. In addition, the guideline provides that a clear good corporate governance of commercial banks include, but not limited to, the aspects of sound organizational structure, clearly defined responsibilities, scientific rational development strategies and values, and reputational good social responsibilities; effective risk management and internal control; a rational motivation incentive and control restraint mechanism; and a perfect sound information disclosure system.

As set forth in the CBRC's 2010 annual report, the CBRC requires (i) the board of directors of commercial banks to duly perform their duties and improve the collective decision-making mechanisms, (ii) the boards of supervisors to fulfill their supervisory responsibilities and facilitate communications with directors and senior management, and (iii) the senior management to strengthen control over the management procedures, streamline credit extension processes, and clarify due diligence and accountability standards, for customer investigation, business intake, credit assessment, etc. According to the Measures for Evaluating the Performance of Directors of Commercial Banks (Provisional) (商業銀行董事履職評價辦法（試行)), commercial banks are required to evaluate the performance of their directors each year and replace the directors that fail to pass the evaluation. In addition, in accordance with the Supervisory Guidelines on Sound Compensation in Commercial Banks (商業銀行穩健薪酬監管指引), commercial banks are required to establish a compensation system in line with its strategic goals to enhance their competitiveness, ability to retain talent and risk management capability.

Internal Control

In accordance with the Guidelines on Internal Control of Commercial Banks (商業銀行內部控制指引) issued by the CBRC in 2007, commercial banks in China are required to implement internal control measures to ensure effective risk management for their business activities. In addition, commercial banks are required to establish a risk management department to formulate and implement risk management policies and procedures. Commercial banks are also required to establish an internal audit department to independently supervise and evaluate all aspects of their operations.

In accordance with the Internal Audit Guidelines on for Financial Institutions (銀行業金融機構內部審計指引) issued by the CBRC, banks are required to establish an audit committee of the board with at least three members, a majority of whom must be non-executive directors. Banks are also required to establish an internal audit department with employees who meet certain qualifications. In principle, the number of employees at the internal audit department shall be no less than 1% of the total employees of the bank and are subject to an internal rotation mechanism. The guidelines also set forth the scope of internal audit, and require commercial banks to evaluate the risk of each business department at least once a year and conduct internal audit of each business department at least once every two years. We determine the number of our internal audit employees based on our internal control and risk management demand. We believe we currently have sufficient internal audit employees to meet our needs, although their number is less than 1% of our total employees as of the Latest Practicable Date. Our PRC legal adviser, King & Wood Mallesons, has advised us that the CBRC has not set forth a timetable for compliance with the above-mentioned guidelines or specific penalties for failing to meet the 1% requirement for the number of internal audit employees. However, we are committed to improving our internal audit function by increasing the internal audit employee headcount and establishing an internal job rotation mechanism. In addition, our compliance department is responsible for regulatory compliance and internal control assessment.

The CSRC and other government authorities issued The Basic Rules on Enterprise Internal Control (企業內部控制基本規範), which require enterprises to establish and implement internal control systems, utilize information technology to strengthen internal control, and establish information systems in line with their operational and management needs.

Information Disclosure

In accordance with the Corporate Governance Guidelines, the board of directors of a commercial bank is in charge of the information disclosure of the commercial banks. The Documents required for information to be disclosured include periodical reports, temporary interim reports and other relevant materials. Commercial banks are required to disclose their required information through their annual reports and or on their websites to make convenient excess for to enable their shareholders to easily obtain the disclosed access the information. All the listed Commercial banks that are listed in China also need to should simultaneously satisfy the information disclosure requirements of the securities supervisory authorities' requirements with respect with the information disclosure. In addition, pursuant to the Measures of Information Disclosure of Commercial Banks (商業銀行信息披露辦法商業銀行資訊披露辦法), commercial banks in the PRC are required to disclose their audited annual reports within four months after the end of each fiscal year. The annual reports should include the banks' financial position and results of operations.

Related Party Transactions

The Administrative Measures for Related Party Transactions between 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) set out detailed provisions on the definition of a related party, the form and content of a related party transaction and the procedures and principles which must be followed for related party transactions. Under the above regulation, commercial banks are prohibited from granting unsecured loans to related parties, and the related party transaction of commercial banks are required to be based on the commercial principles and terms no more favorable than those offered to non-related party on similar transactions.

In addition, commercial banks are required to, on a quarterly basis, submit reports on related party transactions to the CBRC and disclose related parties and related party transactions in their financial statements. Moreover, the board of directors is required to report annually at the shareholders' meetings on the implementation of related party transaction system and the status of related party transactions. The CBRC has the power to request rectification of the transactions that violate applicable regulations and impose sanctions on the banks or the related parties.

We have established a related party transaction control committee and have formulated relevant procedures to approve related party transactions in accordance with such procedures and applicable laws and regulations.

OWNERSHIP AND SHAREHOLDER RESTRICTIONS

Regulations on Equity Investment in Banks

Prior approval from the CBRC is required for any individual or legal person to hold 5% or more of the total outstanding shares of a commercial bank, unless otherwise required by the approval authority. If any shareholder of a commercial bank increases its shareholding to 5% or more without obtaining the prior approval of the PRC banking supervision and administration departments, that shareholder may be subject to penalties of the PRC banking supervision and administration departments, which include, among others, rectification of such illegal behaviors, confiscation of illegal income or fines, where applicable.

Under the Measures for the Administration of the Investment and Shareholding in Chinese-funded Financial Institutions by Foreign Financial Institutions (境外金融機構投資入股中資金融機構管理辦法), foreign equity investment in a Chinese commercial bank is currently subject to the CBRC's approval. Equity investment by a single foreign financial institution in a Chinese commercial bank cannot exceed 20% of the bank's total equity. A non-listed Chinese commercial bank will be regulated as a foreign-invested bank if the proportion of investment made by foreign financial institutions, in aggregate, accounts for 25% or above. Nonetheless, a listed Chinese commercial bank will remain to be regulated as a Chinese commercial bank even if the proportion of investment made by foreign financial institutions accounts for 25% or more of such bank's total equity.

Restrictions on Shareholders

The Corporate Governance Guidelines impose certain additional requirements on the shareholders of Chinese commercial banks. For example:

- Shareholders, especially major shareholders, of commercial banks need to support reasonable capital plans formulated by the banks' board of directors, so that the banks can continuously meet relevant regulatory requirements;
- when a commercial bank's capital fails to meet regulatory requirements, the bank need to formulate a capital injection plan for its capital adequacy ratio to meet regulatory requirements within required period, and increase capital through means such as supplementing core capital; major shareholders of the bank cannot prevent other shareholders from injecting additional capital or object to the introduction of new qualified shareholders; and
- shareholders, especially major shareholders, of a commercial bank who have any overdue loan from the bank are restricted from voting at the shareholders' meeting of the bank; directors appointed by such shareholders' are restricted from voting at the bank's board meetings.

In addition, the PRC Company Law and relevant CBRC rules and regulations impose restrictions on the ability of shareholders of a commercial bank to pledge their shares. For example, a Chinese commercial bank may not accept its own shares as the underlying collateral in pledge. In addition, shareholders of a Chinese commercial bank are restricted from pledging their shares in the bank to any other party. According to the Corporate Governance Guidelines, if a shareholder of a Chinese commercial bank pledges its shares in the bank as collateral for itself or a third party, it must give prior notice to the board of directors of the bank. Moreover, the shareholder may not create additional pledge if the balance of the bank's loans to such shareholder exceeds the audited net value of such shareholder's equity in the bank for the immediately preceding year, and such shareholder has not pledged any deposit receipts or government bonds as collateral for its loans.

RISK MANAGEMENT

Market Risk Management

In order to strengthen the market risk management of commercial banks in China, the CBRC promulgated the Guidelines on the Market Risk Management of Commercial Banks

(商業銀行市場風險管理指引), which set out, among other things, (i) the responsibilities of the board of directors and the senior management in supervising market risk management, (ii) the policies and procedures for market risk management, (iii) the detection, quantification, monitoring and control of market risk, and (iv) the responsibilities for internal control and external audits. Under these guidelines, commercial banks are required to establish formal written policies and procedures to manage market risks, which should cover, among others, (i) permitted business activities, financial instruments that are tradable or available for investment, or investment, hedging and risk mitigation strategies and methods; (ii) the level of market risk acceptable to by the commercial bank; (iii) the organizational structure, authorization limits and accountability mechanism for market risk management; (iv) a set of procedures for the detection, quantification, monitoring and control of market risk; and (v) an information system for market risk management.

In addition, the New Capital Adequacy Regulations (Provisional) set forth the basic standard for commercial banks to comply with when using internal models to measure the market risk capital, the examination and approval procedures and other requirements.

Operational Risk Management

The Circular on Strengthening Control of Operational Risk (關於加大防範操作風險工作力度的通知) requires commercial banks to strengthen their ability to identify operational risks and the risk management and control thereof. Under this circular, commercial banks are required to focus on the establishment of rules and policies specifically for the management and prevention of operational risks. In particular, the internal audit departments and the responsible business departments are required to conduct independent and ad hoc examinations of business departments from time to time. For the business areas involving higher operational risks, ongoing reviews and examinations are required to be conducted. Moreover, a commercial bank's head office is required to supervise and assess the implementation of the on-going examination mechanism.

In addition, this circular sets forth detailed requirements relating to, among others, establishing and implementing a system under which branch officers in charge of business operations are required to rotate and take compulsory leave on a regular basis; improving reconciliation in a timely manner of the account statements between commercial banks and their customers, among banks and between accounts of internal operational departments and those of accounting departments, segregating persons in charge of account keeping and persons in charge of account reconciliation, and establishing a system for the management of seals, specimen signatures and certifications.

Furthermore, the Guidelines on Operational Risk Management of Commercial Banks (商業銀行操作風險管理指引) provide for the supervision and control of the board of directors, responsibilities of senior management, proper organizational structure, and policies, approaches and procedures for operational risk management. Commercial banks are required to file these policies and procedures with the CBRC. If a commercial bank experiences a significant operational incident and fails to adopt effective corrective measures within the required period, the CBRC may take appropriate regulatory actions. In addition, the New Capital Adequacy Regulations (Provisional) set forth additional requirements for calculating operational risk-weighted assets.

Liquidity Risk Management

The Guidelines on the Management of Liquidity Risk of Commercial Banks (商業銀行流動性風險管理指引) require commercial banks to establish a sound liquidity risk management system and set forth, among other things, (i) the functions, responsibilities and reporting line of the board of directors and its specialized committees, the board of supervisors, senior management and their specialized committees and relevant business departments of commercial banks in respect of liquidity risk management; (ii) liquidity risk management policies and procedures; (iii) internal control and information management system; and (iv) liquidity risk management methods and techniques.

In addition, the Notice on Further Strengthening the Supervision of Liquidity Risk of Commercial Banks (關於進一步加強商業銀行流動性風險監管的通知) introduces new liquidity risk measurement indicators, such as liquidity coverage ratio and net stable funding ratio, and requires commercial banks to optimize credit-liability structure, avoid maturity mismatches and reduce the possibility and impact of a liquidity crisis. Moreover, the Notice on Printing and Distributing Off-site Supervision Report of Year 2011 (關於印發2011年非現場監管報表的通知) improved the reporting system for off-site supervision of liquidity risk in accordance with the latest requirements.

Compliance Risk Management

The CBRC promulgated the Guidelines on Compliance Risk Management of Commercial Banks (商業銀行合規風險管理指引) to clarify the responsibilities of the board of directors, the board of supervisors and the senior management of Chinese commercial banks with respect to compliance risk management, standardize the organizational structure for compliance risk management and set out the regulatory framework for commercial banks' risk management.

Risk Management in Other Aspects

In addition to the above rules and regulations, the CBRC promulgated several guidelines on the management of other risks, such as the Guidelines on Reputation Risk Management of Commercial Banks (商業銀行聲譽風險管理指引), the Guidelines on the Management of Interest Rate Risk in the Banking Account of Commercial Banks (商業銀行銀行帳戶利率風險管理指引), the Guidelines on the Management of Outsourcing Risks of Banking Financial Institutions (銀行業金融機構外包風險管理指引), the Guidelines on the Management of Information Technology Risk of Commercial Banks (商業銀行信息科技風險管理指引), the Guidelines on the Management of Country Risk by Banking Financial Institutions (銀行業金融機構國別風險管理指引), to strengthen the risk management of commercial banks in the relevant areas.

Risk Rating System

Joint stock commercial banks in the PRC are subject to evaluation by the CBRC based on a provisional risk rating system. Under this system, the CBRC evaluates capital adequacy, asset quality, management quality, profitability, liquidity and exposure to market risks of a joint stock commercial bank on a continuous basis, and determines a rating score for each joint stock commercial bank. Each joint stock commercial bank is classified into one of the five risk rating categories according to the rating score determined by the CBRC. The CBRC determines the frequency and scope of its on-site inspections of each individual joint stock commercial bank based on the risk rating category of such bank. The CBRC considers risk rating of a commercial bank when evaluating the bank's application for new business permits and the qualifications of its senior management. These risk ratings are not publicly available.

Anti-money Laundering Regulation

The PRC Anti-money Laundering Law (中華人民共和國反洗錢法) sets out the responsibilities of the relevant financial regulatory authorities regarding anti-money laundering, including the formulation of anti-money laundering rules and regulations for financial institutions. Under the Anti-money Laundering Regulations for Financial Institutions (金融機構反洗錢規定), commercial banks in the PRC are required to establish a special anti-money laundering department or designate an internal department responsible for anti-money laundering procedures. In accordance with the Administrative Measures for the Financial Institutions' Report of Large Transactions and Suspicious Transactions (金融機構大額交易和可疑交易報告管理辦法), upon the detection of any suspicious transactions or transactions involving large amounts, commercial banks are required to report the transactions to the PBOC or the SAFE, as applicable. Where necessary and pursuant to appropriate judicial proceedings, commercial banks are required to cooperate with government authorities in preventing money laundering activities and in freezing assets. In addition, according to the Administrative Measures for Customer Identity Identification and Data and Transaction Record Maintenance of Financial Institutions (金融機構客戶身份識別和客戶身份數據及交易記錄保存管理辦法), commercial banks are required to establish a system to record the identities of all customers and their respective deposits, settlement and other transactions with the banks. Under the PRC Anti-money Laundering Law, the PBOC supervises commercial banks' compliance with anti-money laundering laws and regulations through onsite inspections and imposes penalties on commercial banks that violate the relevant rules and regulations.

OTHER REQUIREMENTS

Use of Funds

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

- short-term, medium-term and long-term loans;
- acceptances and discounts on bills;
- inter-bank loans;
- trading of government bonds;
- trading of financial bonds;
- investment in banking institutions; and
- other uses as approved by the relevant authorities.

Upon the approvals of the relevant authorities, including the CBRC, commercial banks are permitted to invest in domestic insurance companies, fund management companies and financial leasing companies in accordance with relevant regulations.

Periodic reporting requirements

According to the Notice on the Official Operation of Off-site Regulatory Information System in 2007 (關於非現場監管信息系統 2007年正式運行的通知) issued by the CBRC, city commercial banks are required to submit to the CBRC, among others, certain balance sheet items and liquidity ratio tables on a monthly basis, income statement and information on financial derivative business on a quarterly basis, interest rate re-pricing on a semi-annually basis and profit distribution and credit quality migration tables on an annually basis.

OUR HISTORY

We are the first regional joint stock commercial bank established through the merger and reorganization of city commercial banks and urban credit cooperatives with the approval of the CBRC. According to the Notice of the State Council on Establishing City Cooperatives Banks, with the approvals of Anhui branch of the PBOC, the PBOC, and Anhui Economic Reform Committee, we were established through the merger of 31 urban credit cooperatives in Hefei, Anhui on April 4, 1997 under the name Hefei City United Bank. The shareholders of these 31 urban credit cooperatives, together with ten other investors, including Hefei Municipal Bureau of Finance, are our promoters and founding shareholders. We had a registered capital of RMB268 million upon establishment.

Because city cooperative banks are joint stock banks and not cooperative enterprises, the PBOC and the SAIC jointly issued a circular in 1998 requiring all existing city cooperative banks in the nation that had already started operation to be renamed as "city commercial banks." Accordingly, we changed our name to Hefei City Commercial Bank Corporation Limited.

In 2003, we issued bonus shares to our then existing shareholders on a basis of 1.5 bonus shares for every ten existing shares. In addition, we issued 191,800,000 new shares at a price of RMB1.18 per share to 15 investors (including Hefei Xingtai Investment Holding Co. Ltd., our then existing shareholder), to replenish our capital and further expand our business scale. We completed the registration of changes with the Industrial and Commerce Bureau in September 2003 and increased our registered capital to RMB500 million.

In 2005, in order to expand the business coverage and asset size of city commercial banks in Anhui province, enhance their core competitiveness and overall risk resistance capability, and provide better financial services for the development of the local economy, SMEs and private company economy, we changed our name to Huishang Bank Corporation Limited and merged with five city commercial banks and seven city credit cooperatives in Anhui Province after obtaining approval from the general office of the CBRC and the CBRC Anhui Office. The aforementioned city commercial banks or city credit cooperatives include Wuhu City Commercial Bank, Ma'anshan City Commercial Bank, Anqing City Commercial Bank, Huaibei City Commercial Bank, Bengbu City Commercial Bank, Lu'an City Credit Cooperative, Huainan City Credit Cooperative, Tongling City Credit Cooperative, Fuyang Yinhe City Credit Cooperative, Fuyang Technology City Credit Cooperative, Fuyang Xinying City Credit Cooperative and Fuyang Jinda City Credit Cooperative. We obtained the changed business license for enterprise legal person on December 28, 2005, and we opened for business on January 1, 2006. After this merger, our registered capital was increased to RMB2.5 billion.

In 2007, we issued bonus shares to our then existing shareholders on the basis of 0.5 bonus share for every ten existing shares and increased our share capital by RMB121 million. In addition, we issued 630 million new shares at a price of RMB1.09 per share through private placement to five investors (including Anhui Energy Group Co. Ltd., our then existing shareholder) to replenish our capital and further expand our business scale. We completed the registration of these changes with the Industrial and Commerce Bureau in July 2008, and increased our registered capital to RMB3.175 billion after deducting RMB 76 million which had been collected from the employees of the Bank but was not approved by the CBRC Anhui Office.

In 2008, in order to replenish our capital and further expand our business scale, and in response to the strategic decision of Anhui Provincial Government to develop the business of the city commercial banks in Anhui Province, we issued 5 billion new shares at a price of RMB1.35 per share to 25 investors, including Anhui Energy Group Co. Ltd. and Zhongjing Sihai Industry Co. Ltd. and some other then existing shareholders. We completed the registration of the aforementioned changes with the Industrial and Commerce Bureau in December 2008 and increased our registered capital to RMB8.175 billion.

We have grown rapidly after the aforementioned capital increases. According to the policy of the State Council which allows domestic city commercial banks to open branches in various regions upon obtaining the approval from the CBRC, we expanded our operations to Nanjing, Jiangsu Province in 2009, where we opened our first branch outside Anhui Province. Since then, we have opened five sub-branches in the city. As of June 30, 2013, we have a total of 199 outlets in 16 major cities in Anhui Province and in Nanjing, Jiangsu Province.

Since 2010, we began to optimize our business structure and accelerated our business transformation. While maintaining the success and competitiveness of our traditional business segments, we explored new business segments such as investment banking, trade financing, electronic banking and wealth management, and actively developed our SME business and retail business, and established a capital-efficient model for business development, thus gradually increased the proportion of non-interest income in our operating income.

In September 2011, we submitted an application to the CSRC for the listing of our A shares on the Shanghai Stock Exchange. In September 2013, we made a submission to the CSRC to suspend the application process for the listing of our A shares and the CSRC has approved the suspension in September 2013. In addition, unless otherwise specified in the Articles, we will obtain approval of shareholders in a general meeting if the Board considers it appropriate to resume the application process with the CSRC in the future.

In June 2013, we established Jinzhai Huiyin Rural Bank Co. Ltd. as one of seven investors. We invested RMB32.8 million for a 41% equity interest and are the largest shareholder. For information on the other six investors and their respective shareholding. Three shareholders of this rural bank, namely, Anhui Kinan Stainless Steel Casting Co. Ltd., Anhui Heyi Food Co. Ltd., and Guan Houlong, which hold in aggregate 29% of its equity interest, have agreed that they will vote in the same way as us in all major decision makings involving the financial and operating policies of this rural bank. Therefore, this rural bank is deemed to be controlled by us and is our subsidiary. The businesses permitted to be operated by this rural bank include but are not limited to accepting deposits from the general public, making loans, providing settlement service within China, bills acceptance and discounting, bank cards business, interbank lending, acting as an agent for issuing, settling and underwriting government bonds, and acting as an agent for payments and receipt of payments and insurance agency business. This rural bank commenced its operation on June 28, 2013.

As of December 31, 2012, we had total assets of RMB324.2 billion, total loans of RMB163.8 billion and total deposits of RMB239.5 billion, each ranking No. 1 among city commercial banks in Central China by total assets, loans and deposits; we were also the No. 4 city commercial bank in China by total loans and total deposits.

BUSINESS MILESTONES

Our key business milestones include the following:

2005	Adhering to our objectives of providing better financial services for the development of SMEs and private company economy in Anhui since our inception in 1997, we set up the small business banking service department to spearhead efforts to expand SME loan business.
2007	We officially launched our online banking services.
	Our annual trading volume in inter-bank bond market business exceeded RMB 1 trillion.
	Our total assets exceeded RMB 100 billion.
2008	Our deposit balances exceeded RMB 100 billion.
	We were licensed to underwrite debt financing instruments for non-financial enterprises.
2009	We developed a comprehensive service network covering major hub cities in Anhui.
	We opened Nanjing branch, our first branch outside Anhui Province, which marks a significant breakthrough in our cross-region development.
	We established Chery Motor Finance Service Co. Ltd. with Chery Automobile Co., Ltd. We invested RMB 100 million for a 20% equity interest.
	We issued our first personal credit card, Huishang Bank Business Card.
2010	We invested RMB 40 million for a 40% equity interest in Wuwei Huiyin County Bank Co. Ltd., as a promoter of this company.
	Our total assets exceeded RMB 200 billion and loan balances exceeded RMB 100 billion.
2011	We issued a 15-year subordinated bond of RMB 4 billion in national inter-bank bond market for the first time.
	Our deposit balances exceeded RMB 200 billion.
	We obtained approval from the CBRC for issuance of credit cards to the public.
2012	We obtained qualifications for conducting derivatives trading business.
	We obtained qualifications for providing RMB Cross-border Trading Settlement services.
	Our total assets exceeded RMB 300 billion.
	Transaction volume via electronic banking exceeded RMB 1 trillion and the number of customers who have signed up to use our electronic banking service surpassed 1.50 million.
2013	We issued 3-year financial bonds specialized for SMEs in the amount of RMB 2.8 billion and 5-year financial bonds specialized for SMEs in the amount of RMB 2.2 billion in national inter-bank bond market.
	We established Jinzhai Huiyin Rural Bank Co. Ltd. as one of the seven investors. We invested RMB 32.8 million for a 41% equity interests and are its largest shareholder. Three shareholders of this rural bank, namely, Anhui Kinan Stainless Steel Casting Co. Ltd., Anhui Heyi Food Co. Ltd., and Guan Houlong, which hold in aggregate 29% of its equity interest, have agreed to vote in the same way as us in respect of all major decisions involving the financial and operating policies of this rural bank. Therefore, this rural bank is deemed to be controlled by us and is our subsidiary.

OUR SHAREHOLDING AND GROUP STRUCTURE

As of June 30, 2013, we had 16,324 shareholders, including 321 corporate shareholders holding 97.22% of our shares and 16,003 individual shareholders holding 2.78% of our shares. No single shareholder holds 10% or more of our shares.

The shareholding percentages of our corporate shareholders range from 0.00001% to 9.99%. We are unable to verify the ownership of 95 corporate shareholders holding in aggregate 0.56% of our shares as of June 30, 2013.

As of June 30, 2013, the shareholding percentages of our individual shareholders range from 0.0000003% to 0.006%. We are unable to verify the ownership of 810 individual shareholders holding in aggregate 0.05% of our shares as of June 30, 2013. See "Risk Factors—Risks Relating to Our Business—We have certain shareholders that we have been unable to contact and register as of the Latest Practicable Date, which may lead to potential disputes" for the risks associated with this.

As at the Latest Practicable Date, our top ten shareholders, all of which are corporate shareholders, hold in aggregate approximately 55.55% of our shares. The following table sets out the shareholding of our top ten shareholders as of June 30, 2013:

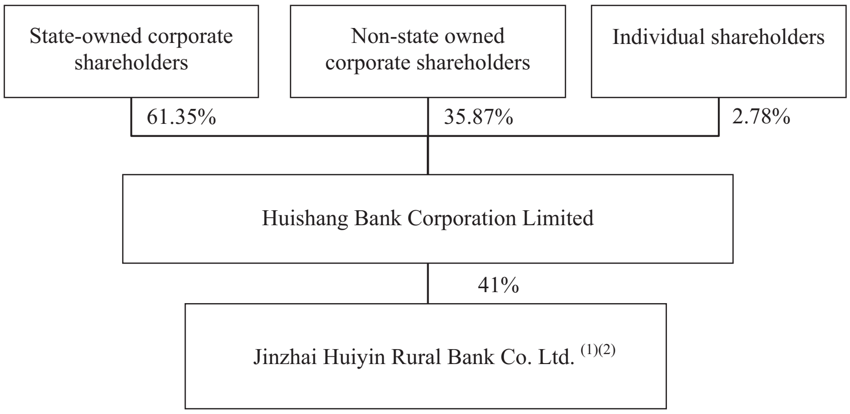
	Shareholders	Approximately Shareholding held	Nature
1.	Anhui Energy Group Company Ltd.	9.99%	State-owned
2.	Anhui Credit Guaranty Group Company Ltd.	9.81%	State-owned
3.	Anhui Guoyuan Holding (Group) Company Ltd.(1)	8.42%	State-owned
4.	Anhui Highway Holding Group Company Ltd.	6.12%	State-owned
5.	Zhongjing Sihai Company Ltd.	5.44%	Non state-owned
6.	Hefei Xingtai Holding Group Co. Ltd.	4.46%	State-owned
7.	Wuhu Construction Investment Co. Ltd.	3.47%	State-owned
8.	CCB Trust Co. Ltd.	2.76%	State-owned
9.	Tongling Non-ferrous Group Holding Co. Ltd.	2.58%	State-owned
10.	Xiuning Xinhua Assets Management Co. Ltd.	2.50%	Non state-owned
	Total	**55.55%**	

Note:

(1) The shareholding of Anhui Guoyuan Holding (Group) Company Ltd. does not take into account the shares of the Bank held by Anhui Guoyuan Ma'anshan Asset Management Company Ltd., Anhui Guoyuan Trust Company Ltd., and Guoyuan Securities Company Ltd., representing 0.0043%, 0.42% and 1.42%, respectively, of the total issued shares of the Bank as of June 30, 2013. Anhui Guoyuan Ma'anshan Asset Management Company Ltd., Anhui Guoyuan Trust Company Ltd. and Guoyuan Securities Company Ltd. are the subsidiaries of Anhui Guoyuan Holding (Group) Company Ltd.

Shareholding Structure as at the Latest Practicable Date

The following chart sets out our shareholding as at the Latest Practicable Date:



Notes:

(1) The other six shareholders of Jinzhai Huiyin Rural Bank Co. Ltd. and their respective shareholding percentages are as follows:

Shareholders other than us	Shareholding Percentage
Anhui Guoyuan Investment Co. Ltd.	10%
Anhui Jinan Stainless Steel Casting Co. Ltd.	10%
Anhui Heyi Food Co. Ltd.	9%
Shi Chunxia	10%
Zhang Huai'an	10%
Guan Houlong	10%

As of June 30, 2013, none of the shareholders of Jinzhai Huiyin Rural Bank Co., Ltd. above held any of our shares, and other than Anhui Guoyuan Investment Co., Ltd., which is a subsidiary of Anhui Guoyuan Holding (Group) Company Ltd., one of our shareholders, none of the other five shareholders above are related to us other than being shareholders of Jinzhai Huiyin Rural Bank Co. Ltd.

Three shareholders of this rural bank, namely, Anhui Jinan Stainless Steel Casting Co. Ltd., Anhui Heyi Food Co. Ltd., and Guan Houlong, which hold in aggregate 29% of its equity interest, have agreed to vote in the same way as us in respect of all major decision involving the financial and operating policies of this rural bank. Therefore, this rural bank is deemed to be controlled by us and is our subsidiary.

(2) Three shareholders of Jinzhai Huiyin Rural Bank Co. Ltd., namely, Anhui Jinan Stainless Steel Casting Co. Ltd., Anhui Heyi Food Co. Ltd., and Guan Houlong, which hold in aggregate 29% of its equity interest, have agreed to vote in the same way as us in respect of all major decisions involving the financial and operating policies of this rural bank. Therefore, this rural bank is deemed to be controlled by us and our subsidiary.

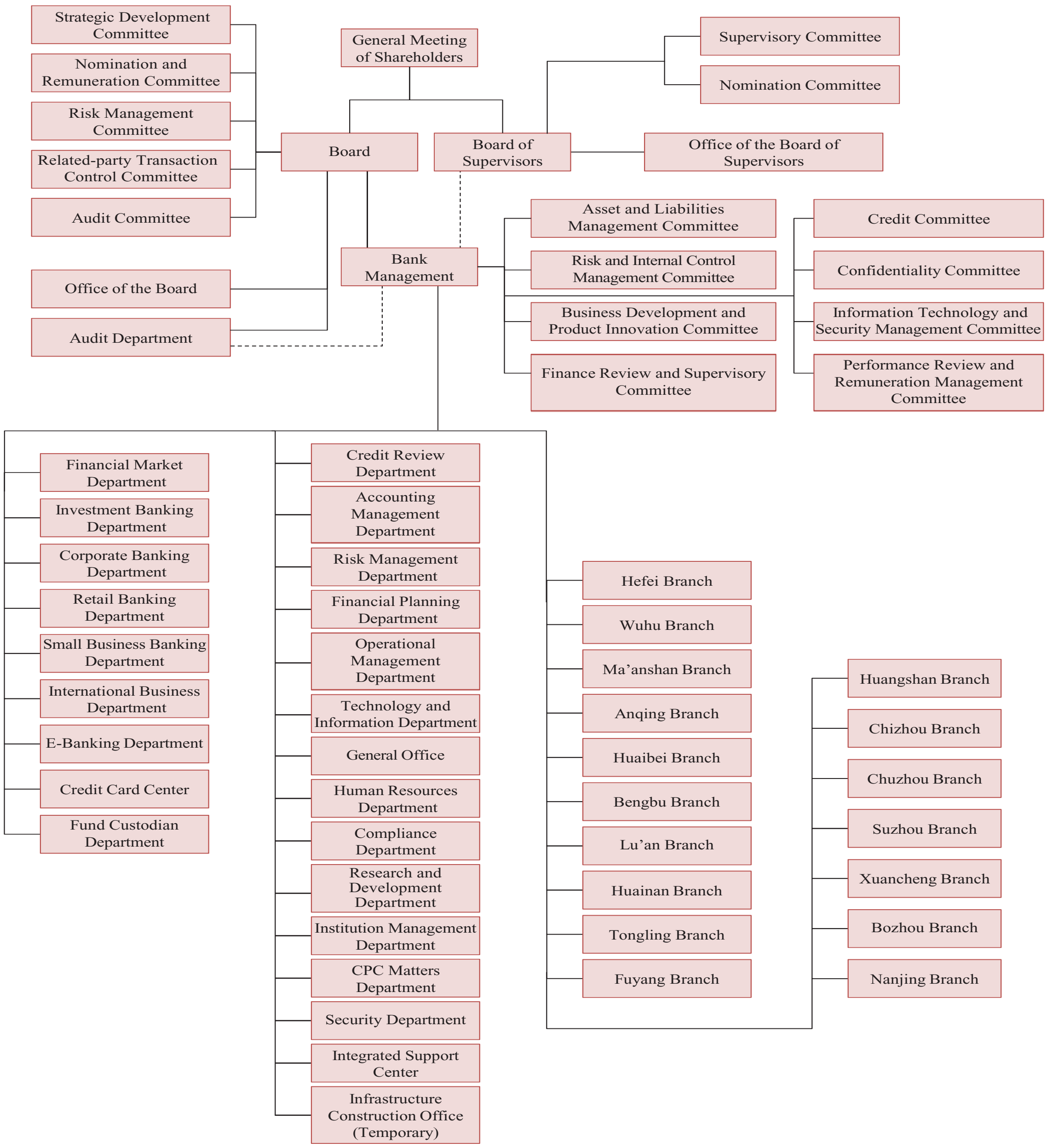
OUR ORGANIZATIONAL AND MANAGEMENT STRUCTURE

We have implemented a series of initiatives to optimize our management workflow and improve our internal control, including:

- establishing a modern corporate governance structure;
- establishing comprehensive risk management and internal control systems;
- channeling operational resources from traditional businesses to strategic businesses, emerging businesses, and fees and commissions businesses;
- implementing a comprehensive reform on capital and financial management;
- enhancing the utilization of information technology;

- promoting the development of integrated one-step banking services; and
- promoting human resources development.

The following chart sets forth our principal organizational and management structure as at the Latest Practicable Date:



Establishing A Modern Corporate Governance Structure

We have established a modern corporate governance structure in line with the requirements of our Articles of Association, PRC laws and regulations and certain rules and regulations. Our Board is accountable to our shareholders in general and is responsible for, among others, determining our business and development strategy, business plans and investment proposals, appointing or removing senior management such as our president, vice president and secretary to the Board, and deciding on matters such as the establishment of our internal management bodies. Our Board has established a number of committees to perform specified functions consisting of the strategic development committee, the nomination and remuneration committee, the risk management committee, the related-party transaction control committee and the audit committee. Our Board of Supervisors is accountable to our shareholders in general and has the responsibility and power to supervise our Board and senior management and inspect our financial activities, risk management and internal control.

OVERVIEW

We are the largest city commercial bank in Central China as measured by total assets, loans and deposits. We were established in 2005 through a merger of all the city commercial banks and urban credit cooperatives in Anhui. As of December 31, 2012, we had total assets of RMB324.2 billion, total loans of RMB163.8 billion and total deposits of RMB239.5 billion, each ranking No. 1 among city commercial banks in Central China; we were also the No. 4 city commercial bank in China by total loans and total deposits and the No. 7 city commercial bank in China by total assets.

We have consistently achieved market-leading profitability. From 2010 to 2012, our net profit increased from RMB2,702 million to RMB4,306 million at a CAGR of 26.2%, higher than the average CAGR of 25.9% of the Hong Kong-listed Chinese Commercial Banks. Our ROAA from 2010 to 2012 was consistently higher than the ROAA of each of the Listed Chinese Commercial Banks, and our ROAE was also higher than the ROAE of most of these banks. In 2012, our ROAA was 1.48% and our ROAE was 22.93%.

We have continually maintained solid asset quality. From 2010 to 2012, we outperformed all the Hong Kong-listed Chinese Commercial Banks in terms of non-performing loan ratio and allowance to non-performing loan ratio. As of December 31, 2012, our non-performing loan ratio was 0.58%, lower than the average 0.81% for all Chinese city commercial banks; our allowance to non-performing loan ratio was 406.00%, higher than the average 332.15% for all Chinese city commercial banks.

We are dedicated to serving local customers, with a focus on SMEs. Benefiting from our long-term commitment to deeply penetrating the Anhui market, we have built a broad SME customer base and a branch network strategically aligned with the regional economy. As of June 30, 2013, our 199 outlets covered all of Anhui's 16 municipalities as well as the adjacent Nanjing, Jiangsu Province. We are one of Anhui's market leaders in SME business. Our SME loans grew at a CAGR of 12.7% from 2010 to 2012.

We have become a renowned financial institution in Anhui and China, with industry-leading performance indicators, such as growth, earnings and asset quality. We have won numerous accolades and awards for our excellent results of operation and outstanding services, including:

Year	Awards	Events/Organizers/Media
2012	No. 305 in the Top 1000 World Banks Ranking; No. 27 among banks in China	The Banker, an international financial publication
2012	No. 3 among China's city commercial banks	Survey conducted by Bankrate, Inc. on banking services, financial products and customer satisfaction
2012	No. 20 in the Competitiveness Ranking of Asian Banks (亞洲銀行競爭力排名)	21st Century Business Herald (《21世紀經濟報導》), a Chinese financial publication
2012	The Most Innovative Cash Management Bank (最具創新性現金管理銀行)	TreasuryChina (《財資中國》), a Chinese financial publication
2010	The Most Influential Brands for Small- and Medium-sized Banks (最具品牌影響力的中小銀行)	China Finance Net (中國金融網), a Chinese financial website
2010	Advanced National Banking Enterprise Providing Financial Services to Small Enterprises (全國銀行業金融機構小企業金融服務先進單位)	The CBRC

Year	Awards	Events/Organizers/Media
2009	Best Financing Solutions for SMEs (中國中小企業最佳融資方案)	The Second China SMEs Financing Forum (第二屆中國中小企業融資論壇)
2008	The Best Bank for SMEs (最佳中小企業銀行)	The Economic Observer (《經濟觀察報》), a Chinese financial publication

COMPETITIVE STRENGTHS

Our principal competitive strengths include:

Uniquely positioned to benefit from the rapid economic growth of Central China and Anhui

Central China has experienced rapid economic growth since national government promoted the implementation of the "Rise of Central China" plan in 2006. From 2010 to 2012, real GDP growth of Central China outpaced the national CAGR of 8.5%, and Anhui's real GDP grew at a CAGR of 12.8%, the highest among all provinces in Central China. Anhui enjoys the unique geographical advantage of close proximity to the Yangtze River Delta and the Pearl River Delta. It serves as the link between the eastern and western regions of China, enabling it to capture the opportunities arising from the industrial migration from the developed eastern region to the central-western region. From January to November 2012, Anhui received RMB265 billion capital inflow of industrial migration from Shanghai, Jiangsu and Zhejiang, or 54.9% of its total capital inflow.

Anhui has huge economic development potential. As industrial migration from the developed eastern region to Central China progresses, Anhui has accelerated its economic transformation and upgrading by prioritizing the development of strategic emerging industries, supported by a high-end manufacturing industry and a modern service industry. Under the Twelfth Five-Year Plan, Anhui will focus on developing strategic emerging industries, including information technology, energy conservation and environment protection, new energy, biopharmaceutical, high-end equipment manufacturing, new material, new-energy automobile and public security, which are expected to become significant drivers of Anhui's economic development.

As a city commercial bank focused on the Anhui market, we are committed to deepening our market penetration in Anhui. We believe that our in-depth understanding of the Anhui market and our long-term experience in serving local clients will enable us to achieve greater competitive edge.

Strategically aligned distribution network and customer base in sync with Anhui's local economy

We have a comprehensive network of strategically located outlets that is highly aligned with Anhui's regional economic development characteristics. As of June 30, 2013, we had 199 outlets, 193 of which were located in Anhui. Our branch network covers all the 16 municipalities and a majority of counties in Anhui. We strategically employ higher branch densities in Hefei, Bengbu and Wuhu, the centers of Anhui's three major economic zones. We provide tailored and differentiated financial services through our local branches based on the different industrial profiles of the three economic zones. In addition, we offer convenient and efficient financial services through 410 self-service zones and 1,202 automatic services machines.

Anhui's accelerated industrialization has boosted rapid growth of large enterprises and SMEs and increased local fiscal revenue. Having focused on serving the Anhui market since our inception, we have built close business relationships with a large number of industry-leading large enterprises in

Anhui. From 2010 to 2012, the number of our large enterprise loan customers increased at a CAGR of 51%, covering many strategic emerging industries in Anhui, such as information technology, new energy, biopharmaceutical, high-end equipment manufacturing, and new-energy automobile. As of June 30, 2013, 47 among Anhui's 2013 Top 50 Enterprises by 2012 revenue were our customers. With a deep understanding of the local market and credit environment, we are able to quickly identify high-quality SME customers, and have successfully attracted a number of them with strong development potential and belonging to the same value chain as industry-leading enterprises. We are the only fund collection bank for the Anhui provincial fiscal collection account, as well as a cash management bank for the tender, treasury payment and fiscal management functions of several local Anhui governments. As a result, the growth of local fiscal revenue has provided us with a sustainable and stable source of low-cost funding.

Increasing urbanization and rising urban per capita disposable income in Anhui have spurred strong demand for retail financial services. As of June 30, 2013, we had over 7 million individual customers, accounting for approximately 25% of the total urban population in Anhui. From 2010 to 2012, the number of our retail customers with financial assets exceeding RMB50,000 grew at a CAGR of 25.5%. Our broad retail customer base has provided us a stable source of deposit, as well as ample opportunities to rapidly enhance cross selling and grow our retail business.

Industry-leading and highly distinctive SME business

SME business has always been our strategic focus. As of June 30, 2013, loans to SMEs amounted to RMB99 billion, accounting for 75.3% of corporate loans and 54.0% of total loans. We have an "SME DNA" that drives our long-standing tradition of serving SMEs, giving us a competitive edge in identifying and attracting high-quality SME customers and helping us achieve a leading market position. As of June 30, 2013, we held a 13.4% SME loan market share in Anhui. During the first six months of 2013, our SME loans increased at an annualized growth rate of 24.4%, exceeding the annualized growth rate of 20.8% of the total SME loans in Anhui. We have developed a large SME customer base leveraging our extensive experience and strong reputation. As of June 30, 2013, we had approximately 7,200 SME loan customers, representing 95.7% of total corporate customers.

We have established a multi-level SME-centric organizational structure. We have set up a small-business department at our head office as management platform, small-business operation centers at our branches as operating function, small-business-oriented sub-branches and sales teams as marketing function, supported by risk management and operation management teams. We have expedited the loan approval process and improved service quality for SME customers through standardizing operational models and deploying professional service teams. As of June 30, 2013, we have established small business operation centers in a majority of our branches, as well as 43 small-business-oriented sub-branches.

We are dedicated to providing SME customers with differentiated products and services. Catering to the different needs of small businesses in the start-up, growth and mature phases, we created the "Zhihui 360" small business finance ("智匯360"小企業金融) brand and introduced over 50 products for small businesses. We have also launched other small business service brands, such as "Eyas" (雛鷹) and "Little Giants" (小巨人). Through our six-pronged focus on quality financial service, collaboration, venture investment, policy information, entrepreneurship and integrity culture, we offer SMEs a comprehensive suite of financial products and value-added services. We believe that the synergy achieved through stronger communication and collaboration between and among our Bank and enterprises will facilitate greater growth in the respective businesses of our Bank and our customers. As of June 30, 2013, we had 15 "Little Giants (小巨人)" clubs in Anhui serving SMEs. Our comprehensive and differentiated services that span the entire business life cycle have enabled us to attract a large number of loyal, high-quality SME customers. Many of these SMEs have become leaders in their respective industries and some of them have been successfully listed.

Prudent risk management and solid asset quality

Our prudent risk management has enabled us to maintain solid asset quality, with relevant indicators consistently outperforming those of all the Hong Kong-listed Chinese Commercial Banks from 2010 to 2012. As of December 31, 2012, our non-performing loan ratio was 0.58%, lower than the average 0.81% for all the Chinese city commercial banks; our allowance to non-performing loan ratio was 406.00%, higher than the average 332.15% for all the Chinese city commercial banks. Our overdue loan ratio was 0.56%; the ratio of our overdue loans to non-performing loans was 96.9%, well below the average 147.9% for all the Hong Kong-listed Chinese Commercial Banks.

Our risk appetite is "prudent, rational and stable," and we have continually developed our overall risk management system by establishing a prudent risk management structure and a comprehensive set of risk management policies. We have endeavored to optimize our risk management and internal control and have established an integrated risk management structure that covers credit, market, operational and liquidity risks. We have also built a "three-line defense" system to implement risk management throughout our business operations, risk management and supervisory efforts. We are committed to continually improving our risk management policies to cover every aspect of our front, middle and back office operations, and rigorously monitoring their implementation. We are also highly focused on managing our exposure to high-risk industries. We impose limits on loans to the real estate industry, local government financing vehicles and other high-risk industries to improve the quality of our loan portfolio and reduce concentration risk in order to effectively control our credit risk exposures to these industries.

We seek to continually improve our risk management system. To manage risks throughout our entire business process, we have established nine risk management mechanisms, such as monitoring and alert, risk screening, dual-line reporting and prompt action. We encourage close cooperation among our front, middle and back offices, consistently carry out full credit risk screenings, assess asset quality from multiple perspectives, mitigate credit risk, and regularly supervise and evaluate the effectiveness of risk management in all business lines and outlets. At the same time, we have been improving risk management techniques and tools. We are among the first commercial banks in China to implement an internal ratings-based approach pursuant to Basel II and Basel III. In addition, we have built risk rating models based on different customer types and risk exposures to identify customer default risks at an early stage.

Market-leading profitability and effective cost management

We are one of the most profitable city commercial banks in China. From 2010 to 2012, our net profit increased at a CAGR of 26.2%. Our 2012 net profit per employee reached RMB0.77 million, higher than that of all the Hong Kong-listed Chinese Commercial Banks. From 2010 to 2012, our ROAA was consistently higher than the ROAA of each of the Listed Chinese Commercial Banks.

Our industry-leading interest spread is mainly attributable to our strong asset pricing power and low funding cost. In 2012, our loan-deposit spread was 5.18% and our net interest margin was 3.03%, both outperforming the same indicators of a majority of the Hong Kong-listed Chinese Commercial Banks.

Our focus on SME banking business has given us an competitive advantage in asset pricing. Our average loan yield in 2012 was 7.16%, higher than the average 6.59% for all the Hong Kong-listed Chinese Commercial Banks and 7.05% for all the PRC-listed City Commercial Banks. As of December 31, 2012, our SME loans accounted for 75.4% of total corporate loans, and approximately 90% of our SME loan transactions were priced above the benchmark interest rates. As a result, our 2012 SME loan yield was more than 20% higher than the benchmark interest rate. The interest rates for our SME loans are significantly higher than the average interest rates for corporate loans.

Our strong and stable deposit base and high proportion of demand deposits effectively reduce our funding cost. As of December 31, 2012, our total deposits amounted to RMB239.5 billion, representing 9.7% of total deposits in Anhui or the No. 4 market share. In addition, our total corporate deposits ranked No. 1 in Anhui for five consecutive years since 2008. As of December 31, 2012, our demand deposit accounted for 53.9% of our total deposits, higher than the average 43.6% of the Listed Chinese Commercial Banks. In 2012, our deposit interest rate was only 1.98%, lower than the average 2.07% of the Hong Kong-listed Chinese Commercial Banks and 2.32% of the PRC-listed City Commercial Banks.

We enjoy a considerable advantage in operating cost management, as a result of our flat management structure and streamlined operations management. In addition, our focus on the Anhui market enables us to expedite decision making. We are able to fully analyze operational cost and improve overall cost management through a comprehensive cost allocation system, which enables us to analyze costs from multiple dimensions, such as branches, departments, responsibility centers, business lines and expense categories. In 2010, 2011 and 2012, our cost to income ratio was 35.1%, 32.7% and 33.9%, respectively, which was consistently lower than the cost to income ratios of all Hong Kong-listed Chinese Commercial Banks.

Experienced management team with strong execution capability

Our senior management team has extensive experience and proven track record in business management and financial service industry. Under their outstanding leadership, we have been able to steadily grow our business, improve our asset quality and maintain our leading position in many business lines in the past years despite a challenging market environment.

Mr. Li Hongming (李宏鳴), our chairman, is very experienced in corporate structure reform and economic and financial research. He was a former director of Anhui's development research center and held several principal leadership positions in the local governments in Anhui. Having studied Anhui's local economy for over 30 years, Mr. Li has developed a deep and unique understanding of Anhui provincial and regional economic development, enterprise system research and financial market, and possesses with excellent leadership and strategic thinking skills. Mr. Wu Xuemin (吳學民), our president, has nearly 20 years of experience in the financial industry. He held several managerial positions in the head offices of China Construction Bank and the headquarters and Anhui branch of China Union Pay Co., Ltd., the largest bank card association in China. He has extensive experience in managing financial institutions in Anhui, and possesses innovative thinking and efficient execution skills.

Our other senior managers have an average 20 years' experience in the financial industry. Most of them have worked in large commercial banks or other financial institutions, and possess extensive experience in business, finance, operational, risk management and information technology, and have been with us since our inception. We also have an efficient, energetic and experienced middle-level management team, most of whom have worked in large state-owned commercial banks and nation-wide joint-stock commercial banks.

Led by our excellent management team, we have implemented a series of effective reforms, maintained a leading position in many business lines and performance indicators, and improved our corporate governance and risk management systems. We believe that, under the leadership of our management team, we will continue our progress towards building a modern commercial bank.

STRATEGY

Our strategic goal is to pursue excellence and build a leading regional commercial bank with high value growth. To achieve our goal, we plan to:

Continue to enhance the competitive edge of our corporate banking business and develop our retail banking businesses

We plan to continually strengthen our corporate banking business and expand our SME business while accelerating the development of our retail banking business.

We plan to solidify the leading position of our corporate banking business in Anhui by keeping abreast of the development of key industries, and closely monitoring and participating in the key projects of strategic emerging industries. We will also strengthen our relationship with large enterprises and financial institutions, and expand our portfolio of customized services and differentiated product offerings, in order to become Anhui's leading provider of comprehensive corporate banking services.

We recognize that SME business is an important future growth driver of our corporate banking business. We plan to invest additional resources in our SME business by increasing the number of SME-focused outlets and enhancing our team of client relationship managers. We will also offer financial solutions covering the entire life cycle of SMEs, improve our SME business performance evaluation mechanism and enhance our risk management capability.

We will further develop our retail banking business by establishing a multi-level client management system and enhancing product innovation and our ability to offer comprehensive financial services. We will also improve our multi-channel retail network, including our outlets, electronic banking, wealth management centers and private banking centers, and continue to develop a professional retail banking team.

Continue to optimize our business mix and expand our fee- and commission-based business

We will further diversify our products and services, and increase the revenue contribution of our fee- and commission-based business and other capital efficient businesses. Specifically, we plan to:

- continually improve our high value-added financial services such as trade financing, cash management, investment banking and international business;
- leverage our lending relationships developed through our traditional loan business to cross-sell comprehensive financial solutions to various types of customers; and

- seek additional business offering qualifications and diversify product portfolio through enhanced cooperation with other banks and non-bank financial institutions, such as fund management, insurance and trust companies, subject to our risk appetite and compliance with regulatory requirements.

Continue to build multi-dimensional, diversified business channels

We will further optimize our branch network to deepen our penetration of Anhui based on business needs to capture the opportunities arising from the structural transformation of Anhui's economy, Anhui's urbanization and the development of Anhui's financial market. We will deploy more outlets and offer differentiated products and services in consideration of the economic development strategies of the province, local economic characteristics and industrial policies. We will also accelerate the restructuring and transformation of our outlets to enhance their operational efficiency.

Recognizing electronic banking as an important means of retaining existing clients and attracting new clients, we will further expand self-service banking, online banking, mobile banking, call center and other channels to complement our physical outlets, enhance user experience and reduce operating cost. We also plan to strategically cooperate with popular online application platforms and third-party electronic payment platforms to access potential middle-class and high-end customers and promote our products and services.

Enhance risk management and internal control

We will further enhance our risk management and internal control systems to pursue quality and sustainable development at a reasonable risk level. Specifically, we will continue to:

- optimize our comprehensive risk management system and improve our risk management mechanism and procedures to address various kinds of risk exposures, such as credit risk, market risk, operational risk and liquidity risk;
- expand our risk measurement tools, strengthen our internal assessment, risk limitation management and market risk management systems, to enhance our proactive risk management capability and better inform rational risk management decision making; and
- enhance the organizational structure, policies and procedures of our internal control and ensure its independence.

Improve information system and develop modern operating system

We will continue to optimize our information technology platform and business management systems, such as the centralized operating platform and the cash management system. We will strengthen data analysis in various areas, such as identifying target customers, product design and pricing, cross-selling, customer loss screening, and expand our data processing and analysis team. We will also improve our information technology risk management system and standardize the development and maintenance of information systems to ensure their security, stability and efficiency.

In addition, we endeavor to build an integrated back-office service center and develop a centralized modern operating system to optimize our operational efficiency, strengthen our operational risk management and meet our need for business expansion and product innovation.

Attract, motivate and cultivate high-quality employees

We plan to attract, motivate and cultivate high-quality personnel through the following measures:

- increasing investment in human resources, developing an excellent middle-to-senior management team, and recruiting additional professionals for client-account management, product management, research and development, risk management and information technology;
- continuing to offer comprehensive professional training programs, improve training content and expand training channels;
- continuing to improve career progression and regularly conducting comprehensive performance evaluation for employees; and
- implementing a market-oriented, competitive and performance-based compensation incentive scheme.

OUR PRINCIPAL BUSINESS ACTIVITIES

Our principal business is the taking of deposits from our corporate and retail customers and the use of these deposits to fund our loan and investment portfolios. We generate operating income primarily from net interest income and income derived from fee- and commission-based services. We also generate operating income from our treasury operations, which mainly encompass money market activities, investment and trading activities and transactions on behalf of customers.

We strive to provide our customers with high quality, efficient and diversified financial products and services. Our business is guided by fundamental banking principles that have enabled us to maintain stable growth and sound asset quality in a challenging market environment.

We conduct our business through three principal business segments: corporate banking, retail banking and treasury operations. The following table sets forth our operating income by business segment for the periods indicated.

	Year ended December 31						Six months ended June 30			
	2010		2011		2012		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in millions of RMB, except percentages)									
Corporate banking	4,080	65.1%	4,823	63.0%	5,333	57.8%	2,676	59.1%	3,003	58.7%
Retail banking	1,395	22.3	1,892	24.7	2,394	25.9	1,148	25.4	1,402	27.4
Treasury operations	729	11.5	871	11.4	1,345	14.6	629	13.9	645	12.6
Others	66	1.1	65	0.9	163	1.7	71	1.6	68	1.3
Total	**6,270**	**100.0%**	**7,651**	**100.0%**	**9,235**	**100.0%**	**4,524**	**100.0%**	**5,118**	**100.0%**

Corporate Banking

We provide corporate banking customers with diversified financial products and services, including corporate loans, bill discounting, corporate deposits and fee- and commission-based services. Our corporate banking customers mainly include fiscal and government agencies and institutions, state-owned enterprises, privately owned enterprises, foreign-invested enterprises and financial institutions. Corporate banking is our major source of operating income and contributes most of our operating profit. In 2010, 2011 and 2012, operating income from our corporate banking business accounted for 65.1%, 63.0% and 57.8% of our total operating income, respectively. In the six months ended June 30, 2013, operating income from our corporate banking business accounted for 58.7% of our total operating income.

Corporate Loans

Corporate loans have historically been the largest component of our loan portfolio. Currently, most of our corporate loan customers are enterprises with operations in Anhui. In terms of loan maturity, our corporate loans comprise short-term loans and medium- and long-term loans. In terms of customer size, our corporate loans consist of SME loans and non-SME loans. As of December 31, 2010, 2011 and 2012, our corporate loans amounted to RMB87,550 million, RMB100,337 million and RMB116,808 million, respectively, accounting for 74.8%, 73.0% and 71.3%, respectively, of our total loans and advances to customers. As of June 30, 2013, our corporate loans amounted to RMB131,181 million, accounting for 71.7% of our total loans and advances to customers.

We have established a leading market position in Anhui in terms of corporate loan business. As of December 31, 2012, our corporate loan business enjoyed 10.4% market share in Anhui, ranking second among commercial banks in the province according to the PBOC Hefei Central Sub-branch.

The following table sets forth our corporate loans by maturity as of the dates indicated.

	As of December 31						As of June 30	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Short-term loans (one year or less)	47,731	54.5%	59,427	59.2%	63,731	54.6%	76,975	58.7%
Medium- and long-term loans (more than one year)	39,819	45.5	40,910	40.8	53,077	45.4	54,206	41.3
Total corporate loans	**87,550**	**100.0%**	**100,337**	**100.0%**	**116,808**	**100.0%**	**131,181**	**100.0%**

The following table sets forth our corporate loans by size of corporate banking customers as of the dates indicated.

	As of December 31						As of June 30	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
SME loans	69,360	79.2%	77,765	77.5%	88,056	75.4%	98,801	75.3%
Non-SME loans	18,190	20.8	22,572	22.5	28,752	24.6	32,380	24.7
Total corporate loans	**87,550**	**100.0%**	**100,337**	**100.0%**	**116,808**	**100.0%**	**131,181**	**100.0%**

SME Loans

We have always been focused on developing the SME loan business. The loans we provide to SME customers are primarily working capital loans, fixed asset loans and trade financing. Our SME customers are engaged in a wide range of industries, primarily including the manufacturing, wholesale and retail, construction and service industries.

We have developed the "Zhi Hui 360" small business finance ("智匯360" 小企業金融) service brand for small business customers in different industries and in different stages of development. Under this service brand, we provide seven categories of standardized solutions and personalized financial service solutions to fully meet the needs of small business customers. "Zhi" ("智") means the capital and financial wisdom we provide to small business customers. "Hui" ("匯") means our convergence and cooperation with small businesses. "360" refers to our commitment to providing full services to small business customers. In addition, we have set criteria for "Eyas" ("雛鷹") and "Little Giants" ("小巨人") based on annual sales, asset-liability ratio and net assets of our small business customers. Small businesses meeting the "Eyas" and "Little Giants" criteria are entitled to a series of preferential policies and services, including comprehensive credit lines, preferential loan rates and relaxed loan guarantee requirements. As of the Latest Practicable Date, we had established 15 "Little Giants" clubs in Anhui with 400 corporate members.

Our "Zhi Hui 360" small business finance brand is a well-known SME loan product and financing service brand in Anhui, and has won various awards and recognitions, including " 2009 Top 10 Financial Products Award" of China's Financial Marketing Awards (中國金融營銷獎 "2009金融產品十佳獎") sponsored by The Chinese Banker, the "2009 Innovation Award for Provincial Financing Products" ("2009 年度全省金融產品創新先進單位") from the People's Government of Anhui Province, the "2009 Small Business Financial Services Award" ("2009 年度全省小企業金融服務先進單位") from the CBRC Anhui Office, the "2010 Small Business Financing Services Award for Banking Financial Institutions in China" ("2010 全國銀行業金融機構小企業金融服務先進單位") from the CBRC, the "2011 Outstanding Contribution Award for Provincial Financing Work" ("2011 年度全省金融工作突出貢獻獎") from the People's Government of Anhui Province and the "Best Financing Solutions for SMEs" ("中國中小企業最佳融資方案") from the Second China SMEs Financing Forum. We accept various forms of mortgages and guarantees. Our product of "Small Business Personal Property Mortgage Escrow Loans" ("小企業動產質押第三方監管貸款") won the "2011 Double Top Ten Financial Products Award for Servicing Small Businesses and Rural Businesses" ("2011 年服務小企業及三農雙十佳金融產品獎") awarded by China Banking Association; our product of "Special Secured Loans for Small and Medium-sized Import and Export Businesses ("中小進出口企業專項擔保貸款") won the "2012 Top 10 Excellent Financial Products Award for Serving Small and Micro Businesses and Rural Businesses" ("2012 服務小微企業及三農十佳特優金融產品獎") from China Banking Association. As of December 31, 2010, 2011 and 2012, our SME loans amounted to RMB69,360 million, RMB77,765 million and RMB88,056 million, respectively. As of June 30, 2013, we had approximately 7,200 SME loan customers, and our SME loans amounted to RMB98,801 million.

Non-SME Loans

We provide our non-SME customers with a wide range of loan products, mainly including working capital loans, fixed assets loans and trade financing. Our non-SME loan customers primarily include state-owned enterprises, privately owned businesses, foreign-invested enterprises and financial institutions, engaging in a wide range of industries primarily including manufacturing, wholesale and retail, construction and leasing services industries. As of December 31, 2010, 2011 and 2012, our non-SME loans amounted to RMB18,190 million, RMB22,572 million and RMB28,752 million, respectively. As of June 30, 2013, we had a total of 327 non-SME loan customers, and our non-SME loans amounted to RMB32,380 million.

Bill Discounting

Bill discounting involves the purchase of bank and commercial acceptance bills at a discount. We provide bill discounting as a form of short-term financing for our corporate customers. We also re-discount discounted bills with the PBOC or other authorized financial institutions to increase our liquidity. We have maintained a market leading position in the bill discounting (including re-discounting) business in Anhui. We ranked first in Anhui in 2012 based on volume of bill discounting. As of June 30, 2013, we had a balance of RMB10,799 million in discounted bills consisting of bank acceptance bills of RMB8,855 million, commercial acceptance bills of RMB1,176 million and re-discounted bills of RMB768 million.

Corporate Deposits

We offer our corporate banking customers time and demand deposits in Renminbi and major foreign currencies. We currently offer Renminbi-denominated time deposits with terms ranging from three months to five years. The following table sets forth our corporate deposits by product type as of the dates indicated:

	As of December 31						As of June 30	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Demand deposits	83,748	75.5%	97,480	71.4%	107,041	66.9%	101,649	62.6%
Time deposits	27,134	24.5	38,983	28.6	52,943	33.1	60,662	37.4
Total corporate deposits	**110,882**	**100.0%**	**136,463**	**100.0%**	**159,984**	**100.0%**	**162,311**	**100.0%**

Our corporate deposit customers primarily include fiscal and government agencies and institutions, state-owned enterprises, privately owned enterprises, foreign-invested enterprises and financial institutions. We have established a leading market position in terms of corporate deposits in Anhui. According to the PBOC Hefei Central Sub-branch, we maintained the first place in terms of corporate deposits in the province for five consecutive years from 2008 to 2012. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our total corporate deposits amounted to RMB110,882 million, RMB136,463 million, RMB159,984 million and RMB162,311 million, respectively, accounting for 69.5%, 67.0%, 66.8% and 64.4%, respectively, of our total deposits.

Fee- and Commission-Based Services

Our fee- and commission-based services for corporate banking customers primarily consist of settlement services, cash management services, consulting and financial advisory services, custody services, corporate treasury services, guarantee services, and agency services to local government agencies and public utilities in connection with non-tax revenue collection, expenditure payments and public utility fee collection. In 2010, 2011 and 2012, our net fee- and commission-based income from corporate banking customers amounted to RMB167 million, RMB258 million and RMB242 million, respectively. In the six months ended June 30, 2013, our net fee- and commission-based income from corporate banking customers totaled RMB194 million, representing a 79.6% increase compared to the corresponding period in 2012.

Settlement Services

Domestic settlement products and services. Our domestic settlement products and services primarily include bank acceptance bills, commercial acceptance bills and telegraphic transfers. In 2010, 2011 and 2012, our domestic corporate settlement transaction volume amounted to RMB6,475,750 million, RMB6,967,494 million and RMB9,014,823 million, respectively, representing a CAGR of 18.0%. In the six months ended June 30, 2013, our domestic corporate settlement transaction volume totaled RMB4,607,673 million, representing a 6.1% increase compared to the corresponding period in 2012. As of June 30, 2013, we had approximately 90,000 corporate domestic settlement customers.

International settlement products and services. Our international settlement products and services for corporate customers primarily consist of international letters of credit, international remittance, collection and letters of guarantee. In 2010, 2011 and 2012, our international settlement transaction volume amounted to US$2,384 million, US$3,172 million and US$3,932 million, respectively, representing a CAGR of 28.4%. In the six months ended June 30, 2013, our international settlement transaction volume amounted to US$2,450 million, representing a 32.2% increase compared to the corresponding period in 2012. As of June 30, 2013, we had approximately 2,000 corporate international settlement customers.

Cash Management Services

We provide a variety of cash management services to our corporate banking customers, primarily for their liquidity management purposes, including account management, liquidity management, collection and payment management, investment and financing services, risk management and information services, to assist customers in reducing finance costs, increasing capital gains and achieving a balance between liquidity and effectiveness. In 2011, we launched the cash management service brand of "Excellent E Plus" ("卓越 E+"), under which we provide customers with premier cash management services. Our cash management service customers primarily include Large Enterprises and government agencies in Anhui. As of June 30, 2013, we had 453 cash management customers. *Treasury China*, a well-known Chinese financial periodical, named us "the Most Innovative Cash Management Bank in 2012" ("2012 年最具創新性現金管理銀行") and "the Cash Management Bank with Most Growth Potential in 2011" ("2011 年最佳成長性現金管理銀行").

Consulting and Financial Advisory Services

We provide our corporate customers with consulting and financial advisory services. Our consulting and financial advisory services primarily include planning, analysis and solution design for customer's operations management, financial management and capital and financing operations. Operating income from consulting and financial advisory services amounted to RMB113 million, RMB159 million and RMB65 million in 2010, 2011 and 2012, respectively. In the six months ended June 30, 2013, operating income from consulting and financial advisory services was RMB75 million, representing a 141.9% increase compared to the corresponding period in 2012.

Custody Services

Assets under our custody mainly include single investment scheme funds and collective investment scheme funds managed by trust companies, funds of corporate initial public offerings, follow-on offerings and debt issuances. In 2010, 2011 and 2012, operating income from our custody services amounted to RMB11 million, RMB21 million and RMB66 million, respectively. In the six months ended June 30, 2013, operating income from our custody services amounted to RMB55 million, representing a 99.5% increase compared to the corresponding period in 2012.

Corporate Treasury Services

Our corporate treasury services include asset management services and sales of other treasury products and services. We provide our customers with treasury products denominated in Renminbi, mainly consisting of principal-protected and return-guaranteed products. In 2010, 2011 and 2012, the transaction volume of corporate treasury products amounted to RMB360 million, RMB15,720 million and RMB29,160 million, respectively. In the six months ended June 30, 2013, the transaction volume of corporate treasury products amounted to RMB7,466 million.

Guarantee Services

We provide corporate banking customers with bank guarantee services, primarily in the form of loan guarantees, contract performance guarantees, bid guarantees, prepayment guarantees and quality guarantees for construction projects. In 2010, 2011 and 2012, our operating income from guarantee services amounted to RMB3 million, RMB36 million and RMB42 million, respectively, representing a CAGR of 274.2%. In the six months ended June 30, 2013, our operating income from guarantee services amounted to RMB34 million, representing a 225.1% increase compared to the corresponding period in 2012.

Agency Business

We provide agency services to local government agencies and public utilities in Anhui. Such agency services primarily include collection of non-tax revenues, payment of expenditures and collection of various fees for public utilities, such as water, electricity, gas and telecommunication service fees.

Other Products and Services

In addition to the foregoing, we provide entrusted loan services; trade financing services primarily comprising letters of credit, forfaiting, domestic factoring and movable property mortgage financing; investment banking services mainly consisting of syndicated loan services and underwriting and distribution of debt instruments; and other fee- and commission-based services.

International Banking Operations

We provide corporate customers with international settlement, settlement and sale of foreign exchange, foreign currency deposits, foreign currency exchange, trade financing and derivative products. We have established an effective foreign exchange management system. In 2013, we were named the second among the six “Class A Banks” (“A類銀行”) and awarded the “Star of International Balance-of-Payments Statistics” (“國際收支統計之星先進單位”) by the Anhui Branch of the SAFE based on an evaluation of the 21 banks designated for providing foreign exchange services in Anhui for compliance with foreign exchange administration rules. Our international banking business has seen rapid development in recent years. As of the Latest Practicable Date, we had established correspondent banking relationships with 775 banks outside China, providing our customers with international settlement, trade financing and cross-border Renminbi settlement services through an extensive clearing and settlement network.

Customer Base

We have a large number of high quality corporate customers. As of June 30, 2013, we had approximately 92,300 corporate deposit customers and 7,500 corporate loan customers. Our corporate banking customers primarily comprise fiscal and government agencies and institutions, state-owned enterprises, privately owned enterprises, foreign-invested enterprises and financial institutions.

Fiscal and government agencies and institutions have always been our key customers, and we have maintained our focus on developing and maintaining our business relationship with them. We are the only fund collection bank for the Anhui provincial fiscal collection account and cash management bank for the bidding, treasury payment and fiscal fund management of several local government agencies in Anhui.

Large enterprises are also our key customers. Our large enterprise customers are primarily headquartered in Anhui or Jiangsu. We provide these Large Enterprises with tailored financial services. As of June 30, 2013, we had 206 Large Enterprise loan customers.

We have always focused on developing a quality SME customer base in Anhui. In 2006, we became the first city commercial bank to establish a small business banking department. As of June 30, 2013, we had established small business operation centers at 10 branches and 43 small-business-oriented sub-branches to provide small businesses with both standard and tailor-made financial service solutions. In addition, we cooperate with guarantee companies to offer financial services to SMEs with growth potential, good credit rating and businesses in line with China's industrial policies. As of June 30, 2013, we had approximately 7,200 SME loan customers with outstanding loans of RMB98,801 million.

Retail Banking

We offer a wide range of products and services to retail banking customers, including retail loans, retail deposits, bank cards, fee- and commission-based services. Our retail banking business has grown significantly in recent years. In 2010, 2011 and 2012, operating income from retail banking services accounted for 22.3%, 24.7% and 25.9% of our total operating income, respectively. In the six months ended June 30, 2013, operating income from our retail banking business accounted for 27.4% of our total operating income.

Retail Loans

Retail loans primarily consist of residential mortgage loans, personal business loans, personal consumption loans and credit card overdraft. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our retail loans amounted to RMB24,929 million, RMB30,616 million, RMB35,080 million and RMB41,845 million, respectively, representing 21.3%, 22.3%, 21.4% and 22.9% of our total loans and advances to customers, respectively.

The following table sets forth information on our retail loans by product type as of the dates indicated.

	As of December 31						As of June 30	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Residential mortgage loans	15,291	61.3%	19,474	63.6%	21,333	60.8%	25,753	61.5%
Personal business loans	7,723	31.0	9,762	31.9	11,985	34.2	13,870	33.2
Personal consumption loans	1,861	7.5	1,291	4.2	1,067	3.0	989	2.4
Credit card overdraft	54	0.2	89	0.3	695	2.0	1,233	2.9
Total retail loans	**24,929**	**100.0%**	**30,616**	**100.0%**	**35,080**	**100.0%**	**41,845**	**100.0%**

Residential Mortgage Loans

We provide retail customers with residential mortgage loan products for their purchase of both new and resale residential properties. Residential mortgage loans are secured by the underlying property being purchased and have tenors of up to 30 years. Generally, the amount of residential mortgage loans will not exceed 70% of the purchase price of the property. As of December 31, 2010, 2011 and 2012 and June 30, 2013, residential mortgage loans amounted to RMB15,291 million, RMB19,474 million, RMB21,333 million and RMB25,753 million, respectively, representing 61.3%, 63.6%, 60.8% and 61.5% of our total retail loans, respectively.

Personal Business Loans

Personal business loans refer to Renminbi loans we provide to qualified retail customers to meet their working capital and other operational needs of their businesses. These products mainly include "Huidaitong" ("徽貸通") loans, personal commercial vehicle loans, personal commercial property loans and re-employment-related small-amount guaranteed loans. As of December 31, 2010, 2011 and 2012 and June 30, 2013, personal business loans amounted to RMB7,723 million, RMB9,762 million, RMB11,985 million and RMB13,870 million, respectively, representing 31.0%, 31.9%, 34.2% and 33.2% of our total retail loans, respectively.

"Huidaitong" ("徽貸通") is a loan product tailor-made for private business owners and sole proprietors based on our extensive experience in financial services. We have adopted a flexible approach to forms of security interest, and have enlarged the list of forms of collateral and pledges acceptable to us. Borrowers can use residential properties, commercial properties, office premises, factories or land as collateral. In addition, we accept guarantees, joint guarantees or pledges combined with guarantees as valid forms of security interest. The maximum amount of the loan is generally 70% of the appraised value of the collateral or 90% of the value of the pledge. The credit term of "Huidaitong" loans is generally longer than that of similar loans we extend to Small Businesses. If the loan is secured by properties as collateral, it can be a five-year revolving credit line on which borrowers can draw down and repay anytime during the term. As of December 31, 2012 and June 30, 2013, we had RMB6,424 million and RMB7,826 million in outstanding "Huidaitong" loans, respectively.

Personal commercial vehicle loans are secured Renminbi loans we extend to retail customers for the purchase of commercial vehicles. Commercial vehicles refer to vehicles purchased by borrowers for use in transportation business operations, including trucks, large and medium-sized passenger cars, urban taxis and other commercial vehicles. The maximum amount of each commercial vehicle loan generally does not exceed 70% of the purchase price of the commercial vehicle. The loan usually has a term of up to three years. However, the loan term for commercial trucks generally does not exceed two years. If the loan is secured by the purchased commercial vehicle, we may require additional forms of security interest. As of December 31, 2010, 2011 and 2012 and June 30, 2013, we had RMB1,013 million, RMB1,301 million, RMB1,096 million and RMB1,092 million in outstanding personal commercial vehicle loans, respectively.

Personal commercial property loans are loans we provide to our retail customers for their purchase of both new and resold commercial properties. Such loans are secured by the commercial properties purchased by the borrowers and may have a term of up to ten years. The maximum amount of such loans generally does not exceed 50% of the purchase price of the commercial property. As of December 31, 2010, 2011 and 2012 and June 30, 2013, we had RMB2,492 million, RMB3,363 million, RMB3,869 million and RMB4,349 million in outstanding personal commercial property loans, respectively.

Re-employment-related small-amount guaranteed loans are loans which are guaranteed by special guarantee institutes or special guarantee funds established by local governments, and used to support the re-employment of laid-off and unemployed workers, other registered unemployed personnel in urban areas and demobilized servicemen in urban areas. As of December 31, 2010, 2011 and 2012 and June 30, 2013, we had RMB159 million, RMB198 million, RMB340 million and RMB412 million in outstanding re-employment-related small-amount guaranteed loans, respectively.

Personal Consumption Loans

We provide a variety of personal consumption loans to our retail customers. Personal consumption loans primarily consist of consumer auto loans, consumer comprehensive revolving loans, personal pledged loans and personal credit loans. As of December 31, 2010, 2011 and 2012 and June 30, 2013, personal consumption loans amounted to RMB1,861 million, RMB1,291 million, RMB1,067 million and RMB989 million, representing 7.5%, 4.2%, 3.0% and 2.4% of our total retail loans, respectively.

Consumer auto loans refer to Renminbi loans we extended to retail customers for the purchase of consumer vehicles. Generally, the amount of a consumer auto loan will not exceed 70% of the purchase price of the vehicle, and the term of the loan will not be longer than five years. The borrower can use the purchased vehicle to secure the loan or provide other forms of collateral or guarantees to secure the loan. As of December 31, 2010, 2011 and 2012 and June 30, 2013, consumer auto loans amounted to RMB288 million, RMB198 million, RMB86 million and RMB51 million, respectively.

We provide consumer comprehensive revolving loans to retail customers with sound credit for general consumption purposes, which allows borrowers to drawdown the loans by installment at any time and on a revolving basis up to a pre-approved credit limit during the term of the loan facility. Such loans are generally revolving credit lines with a tenor of up to five years. Borrowers may provide collateral, pledges or other forms of security interest to secure the loans. As of December 31, 2010, 2011 and 2012 and June 30, 2013, consumer comprehensive revolving loans amounted to RMB1,330 million, RMB815 million, RMB559 million and RMB508 million, respectively.

Personal pledged loans are Renminbi loans secured by pledges. The pledges include foreign currency and Renminbi certificates of deposit permissible under PRC law, certificates of PRC treasury bonds we sold as agent, principal-protected and return-guaranteed personal wealth management products we sold as principal or agent, and other forms of pledges acceptable to us. The term of the loan generally will not be longer than one year. As of December 31, 2010, 2011 and 2012 and June 30, 2013, personal pledged loans amounted to RMB150 million, RMB217 million, RMB383 million and RMB398 million, respectively.

We provide personal credit loans to retail customers with sound credit to meet their comprehensive consumption purposes. We extend one-off revolving credit lines to retail customers, who can draw down anytime during the tenor of the credit lines. We determine the amount of a personal credit loan based on our credit assessment of the loan applicant. The credit line generally does not exceed RMB1.00 million, and has a term of up to two years. As of December 31, 2010, 2011 and 2012 and June 30, 2013, personal credit loans amount to RMB47 million, RMB35 million, RMB22 million and RMB18 million, respectively.

Credit Card Overdrafts

We allow our credit card customers to overdraft or withdraw cash. As of December 31, 2010, 2011 and 2012 and June 30, 2013, the outstanding overdraft amount was RMB54 million, RMB89 million, RMB695 million and RMB1,233 million, respectively.

Retail deposits

We offer retail banking customers a variety of demand deposit and time deposit products. Substantially all of our retail deposits are denominated in Renminbi with maturities ranging from one day to six years. We also accept demand deposits and time deposits in a wide range of foreign currencies, including US dollar, HK dollar, Sterling, Euro, Japanese Yen, Canadian dollar, Australian dollar, Swiss franc and Singapore dollar, with maturities ranging from one day to two years. As of December 31, 2010, 2011 and 2012 and June 30, 2013, total retail deposits amounted to RMB32,699 million, RMB41,893 million, RMB52,718 million and RMB59,806 million, respectively, accounting for 20.5%, 20.6%, 22.0% and 23.7% of our total deposits, respectively.

Bank Card Services

Debit Cards

We issue Renminbi debit cards to retail customers who maintain deposit accounts with us. We currently classify our debit cards into general cards, gold cards, platinum cards and diamond cards according to our customer classification system. Our Renminbi debit card is a multi-function card that can be linked to multiple accounts, including demand and time deposit accounts. As a member of China UnionPay, our debit cards are accepted not only by our own network but also through the China UnionPay network located in China and many other countries and regions. As of December 31, 2010, 2011 and 2012, we had issued a total of approximately 4.0 million, 4.7 million and 5.5 million debit cards, respectively. As of June 30, 2013, we had issued a total of approximately 6.0 million debit cards. In 2012, we received the "2012 Best Growth Potential *Debit Card*" ("2012 年最具成長性借記卡") award from *Moneyweek* ("理財週報").

Credit Cards

We launched our credit card business in 2009. In April 2009, we began to issue "Huishang Bank Public Service Cards" ("徽商銀行公務卡"), the first type of credit cards we have issued. We issue Public Service Cards primarily to employees of government agencies and administrative institutions funded by government budget. In December 2011, we obtained the approval from the CBRC to issue credit cards to the public. In February 2012, we began to issue Huangshan personal credit cards. We primarily classify Huangshan personal credit cards into general cards, gold cards and platinum cards based on various factors including cardholders' income, financial conditions and credit history. Apart from the general overdraft function, Huangshan personal credit cards provide bonus points for online hotel and flight booking, online payment, installment payment plans, various bonus point redemption plans and fast and convenient repayment channels, such as online banking, counter repayments, self-service banking facilities, Alipay and UnionPay. We plan to leverage our corporate and retail banking customer base to strengthen the interaction among our various business lines and promote cross-selling in order to further strengthen the brand and product promotion of Huangshan credit cards. As of December 31, 2010, 2011 and 2012, we had issued 31,411, 36,679 and 95,450 credit cards, respectively, and had 2,087, 3,766 and 7,134 designated merchants, respectively. In 2010, 2011 and 2012, the transaction volume of our credit cards was RMB474 million, RMB743 million and RMB2,874 million, representing a CAGR of 146.3%; income from our credit card business was RMB4 million, RMB5 million and RMB17 million, representing a CAGR of 106.2%. As of June 30, 2013, we had issued a total of 139,060 credit cards, representing a 45.7% increase as compared to the end of 2012. In the six months ended June 30, 2013, the transaction volume of our credit card business was RMB4,282 million, representing a 649.9% increase as compared to the corresponding period in 2012. Credit card income reached RMB32 million, representing 738.5% increase compared to the corresponding period in 2012.

Fee- and Commission-based Retail banking Products and Services

Our fee- and commission-based retail banking products and services primarily include personal wealth management services and agency collection and payment services. In 2010, 2011 and 2012, our net fees and commissions from our retail banking business amounted to RMB47 million, RMB95 million and RMB101 million, respectively, representing a CAGR of 46.6%. In the six months ended June 30, 2013, net fees and commissions from the retail banking business amounted to RMB81 million, representing a 85.6% increase compared to the corresponding period in 2012.

Personal Wealth Management Business

Our personal wealth management business primarily includes personal wealth management services, PRC treasury bonds agency services and other personal wealth management services. In 2010, 2011 and 2012, our operating income from the personal wealth management business amounted to RMB13 million, RMB16 million and RMB34 million, respectively, representing a CAGR of 61.7%. In the six months ended June 30, 2013, our operating income from the personal wealth management business amounted to RMB24 million, representing a 9.6% increase compared to the corresponding period in 2012.

Personal Wealth Management Services. We provide a variety of personal wealth management products and services, primarily including principal-protected and return-guaranteed personal wealth management products with low counterparty risk, such as debt securities traded on the inter-bank market and deposits with large commercial banks. Through full consideration of investment needs of local customers and leveraging our traditional advantages in the interbank bond market, we have gradually established our business approach to promoting and enhancing our personal wealth management services, including developing principal-protected products as core products, focusing on bonds as major investment products, and marketing to middle-class customers as key target customers for wealth management services business development. We promote our personal wealth management services under the brand of "Zhi Hui Wealth Management" ("智慧理財"). We provide customized wealth management plans based on specific needs of our customers to maximize their wealth growth potential. As of June 30, 2013, we had approximately 29,000 personal wealth management customers. We expect increasing demand for comprehensive and customized wealth management services in addition to traditional banking products and services as a result of the growth of Anhui's economy and the increase in the number of affluent people. As personal wealth management services are usually mainly available to customers with high net worth, these services have become an important marketing platform for us to attract customers and to cross-sell other financial products and services. Since we launched the wealth management business in the second half of 2010, we have seen rapid growth in the transaction volume of our personal wealth management products. In 2010, 2011 and 2012, we placed RMB-denominated personal wealth management products with a total transaction volume of RMB315 million, RMB7,235 million and RMB23,200 million, respectively. Our operating income from the personal wealth management services amounted to RMB3 million, RMB7 million and RMB27 million, respectively, representing a CAGR of 200.0%. In the six months ended June 30, 2013, we placed RMB-denominated personal wealth management products of RMB11,585 million and our operating income from the personal wealth management services amounted to RMB19 million.

PRC Treasury Bonds Agency Services. We offer agency services to our retail customers in connection with their purchase and cashing of PRC treasury bonds. In 2010, 2011 and 2012, we acted as an agent of the MOF for the issuance of treasury savings bonds amounting to RMB1,014 million, RMB1,110 million and RMB873 million, respectively, and cashed treasury savings bonds amounting to RMB953 million, RMB1,132 million and RMB975 million, respectively.

Other personal wealth management services. Our other personal wealth management services primarily include fund distribution, agency sales of insurance products and agency sales of gold. We distribute fund products as an agent and our customers can purchase fund products through our outlets or online banking system. We distribute insurance products as an agent through our cooperation with insurance companies. As of June 30, 2013, we had 950 qualified bancassurance sales personnel. We intend to continue to increase the number of qualified bancassurance sales personnel, and with our extensive retail network and individual customer base in Anhui, we expect to maintain stable growth of agency sales of insurance. Our agency sales of gold primarily include agency sales of gold bullion and gold trading for our customers. Agency sales of gold bullion represent the sales of gold bullion products, such as coins, bars and crafted gold products by cooperating with authorized professional institutions. Gold trading for customers represents the business of entering into transactions on behalf of our customers, such as gold trading, settlement and physical delivery through Shanghai Gold Exchange in accordance with orders and instructions given by our customers. In 2010, 2011 and 2012, our operating income from other personal wealth management services amounted to RMB2 million, RMB2 million and RMB3 million, respectively. In the six months ended June 30, 2013, operating income from the other personal wealth management services amounted to RMB2 million, representing a 42.7% increase compared to the corresponding period in 2012.

Collection and Payment Services

We provide a variety of collection and payment services to public utilities, large SOEs and their end customers through our retail outlets, self-service zones, internet and mobile banking and customer service centers, including payroll services, collection of public utility tariffs, individual social insurance premiums, tuition, traffic fines, insurance premiums and road maintenance fee. Our payroll services provide us with an important source of our mid- and high-end individual customers and retail deposits. As of December 31, 2010, 2011 and 2012, we had approximately 1,240,000, 1,300,000 and 1,400,000 individual payroll service customers, respectively. In 2010, 2011 and 2012, the total amount of salaries paid through our payroll services was approximately RMB16,498 million, RMB20,076 million and RMB24,815 million, respectively.

Customer Base

We have an extensive retail banking customer base in Anhui. As of June 30, 2013, we had approximately 7.0 million retail banking customers, of whom approximately 165,700 customers were retail loan customers. Our retail loan customers consist of approximately 125,700 residential mortgage loan customers, 4,900 personal consumption loan customers and 35,100 personal business loan customers. As of December 31, 2010, 2011 and 2012 and June 30, 2013, the number of our retail customers with personal financial assets of above RMB50,000 was approximately 142,650, 177,400, 224,600 and 251,500, respectively, and their financial assets in accounts with us totaled RMB25,542 million, RMB33,404 million, RMB44,237 million and RMB51,432 million, respectively.

We classify our retail banking customers into ordinary customers and upper-mid-end customers depending on the balance of their personal financial assets in their accounts with us. We will focus our marketing efforts on growing the number of upper-mid-end customers, including civil servants, private business owners, professionals and other high income individuals.

Treasury Operations

Our treasury operations primarily consist of money market transactions, investment and trading activities and transactions on behalf of customers. In conducting our treasury operations, we strive to ensure our liquidity and returns, and achieve balance between returns and risks on our investment portfolio by taking into consideration the market and macroeconomic conditions. Our treasury operations have grown significantly in recent years. In 2010, 2011 and 2012, operating income from treasury operations amounted to RMB729 million, RMB871 million and RMB1,345 million, respectively, representing a CAGR of 35.8%. In the six months ended June 30, 2013, operating income from our treasury operations amounted to RMB645 million, representing a 2.5% increase as compared to the corresponding period in 2012.

Money Market Transactions

Our money market transactions primarily consist of (i) inter-bank borrowing and lending transactions; (ii) inter-bank repurchase and reverse repurchase transactions; and (iii) public market bidding, including repurchase transactions and reverse repurchase transactions. We enter into repurchase and reverse repurchase transactions whereby we sell securities to or purchase securities from a counterparty with an obligation to repurchase them from or resell them to the counterparty at a pre-determined price on a specified date. The securities underlying our interbank repurchase and reverse repurchase transactions primarily include RMB-denominated PRC treasury bonds and policy bank bonds, bank acceptance bills and PBOC bills. In 2010, 2011 and 2012, interest income from our money market transactions amounted to RMB411 million, RMB774 million and RMB1,592 million, respectively. In the six months ended June 30, 2013, interest income from our money market transactions amounted to RMB1,613 million, representing a 342.9% increase compared to the corresponding period in 2012.

We use money market instruments as an important means to manage our liquidity. We also actively enter into money market transactions to generate net interest income. We primarily fund our reverse repurchase transactions by repurchase transactions, with all transactions having remaining maturities of less than six months, and most of the bank acceptance bills underlying the reverse repurchase transactions were issued by Five Largest State-owned Commercial Banks and Nation-wide Joint Stock Commercial Banks. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our outstanding balance of reverse repurchase agreements were RMB10,543 million, RMB5,317 million, RMB38,198 million and RMB92,281 million, respectively. Our outstanding balance of repurchase agreements were RMB20,798 million, RMB16,185 million, RMB47,883 million and RMB100,670 million, respectively, as of the same dates.

We were one of the first city commercial banks approved by the PBOC to enter China's national interbank bond market. From 2006 to 2012, we were named as an "Outstanding Trading Member" ("優秀交易成員") and one of the "Top 100 Trading Members" ("交易量100強") in terms of trading volume by China's National Interbank Funding Center for seven consecutive years. We were also named as "Outstanding Interbank Bond Market Proprietary Trading Clearing Member" ("銀行間債券市場自營業務優秀結算成員") by China Government Securities Depository Trust & Clearing Co., Ltd., for seven consecutive years. In 2011, we received the "Most Influential Market Participant" ("最具市場影響力") award from China's National Interbank Funding Center.

Investment and Trading Activities

Our investment portfolio primarily consists of debt securities, including PRC treasury bonds, PBOC bills, policy bank bonds, commercial bank bonds and high-rating corporate bonds. We manage our investment portfolio according to our investment guidelines, which we review and update on a regular basis. The guidelines on investment portfolio set forth requirements for the portfolio size, holding periods, industry and credit rating of issuers of securities in our investment portfolio. We set target returns on our investment portfolio, principally through our assessment of the interest rate, credit, liquidity, macroeconomic trends and other risks associated with the investment. In 2010, 2011 and 2012, operating income (including interest income) from our investment and trading activities amounted to RMB1,347 million, RMB1,950 million and RMB2,311 million, respectively. In the six months ended June 30, 2013, operating income (including interest income) from our investment and trading activities amounted to RMB1,195 million, representing a 1.5% decrease compared to the corresponding period in 2012.

Transactions on Behalf of Customers

We provide certain transaction services on behalf of our corporate and retail banking customers. Such transactions mainly include the sale and purchase of foreign exchange, foreign currency trading and foreign currency derivatives trading.

PRICING

Loans

Prior to July 20, 2013, interest rates we charge on RMB-denominated loans were generally determined based on the PBOC benchmark rates. For RMB-denominated corporate loans and retail loans, we are not permitted to set interest rates lower than 70% of the relevant PBOC benchmark rate. On July 20, 2013, the PBOC lifted restrictions on interest rates financial institutions can charge, and abolished the mininum rates for RMB-denominated loans. Based on the PBOC new rules, we may charge interest rates pursuant to commercial terms. With respect to interest rates for residential mortgage loans, under a notice issued by the State Council, from October 27, 2008, the lowest interest rate we may charge for housing loans is 70% of the PBOC benchmark interest rate of the same term and from April 17, 2010, the lowest interest rate we may charge for housing loans for a second residential property is 110% of the PBOC benchmark lending rate. When determining our pricing, we take into consideration factors such as the borrower's financial condition and credit rating, the nature and value of collateral, the term of the loan, the intended use of the loan and prevailing market conditions. We also consider the cost of lending, credit risk and general market competition when pricing our products and services.

Our assets and liabilities management committee, which is our highest decision making body for interest rate management, is responsible for reviewing our lending rate management policy and significant matters in relation to interest rate implementation. The financial planning department of our headquarters, which is our centralized interest rate management department, is responsible for our consistent execution of state lending rate policy, formulating loan pricing measures, developing and optimizing our loan pricing system, uniformly formulating and publishing the benchmark interest rates for our lending business and the funds transfer pricing curve, and directing, supervising and examining our interest rate execution. The business lines of our headquarters implement both the PRC government's and our lending rate policy as well as direct and manage the lending rate pricing for products of business lines. The financial planning department of each of our branches, which act as centralized interest rate management departments in each of their respective regions, are each responsible for implementing lending rate policies and regulations formulated by the PRC government and our headquarters, formulating interest rate management regulations for its regional lending business and directing, supervising and examining the interest rate execution of its regional lending business.

Deposits

Interest rates on RMB-denominated demand and regular time deposits may not be higher than 110% of the benchmark rates prescribed by PBOC. However, we are permitted to provide time deposits to insurance companies and the National Council for Social Security Fund at negotiated interest rates under certain circumstances. In addition, we offer our key corporate customers negotiated interest rates for their deposits based on PBOC prescribed rates. The PBOC has liberalized interest rates on interbank placings, and we determine such rates based primarily on our assets and liabilities management policies and the market interest rate. In addition, for foreign currency-denominated deposits equivalent to US$3.0 million or more, interest rates are freely negotiated with our customers. Our assets and liabilities management committee is responsible for the review of our deposit pricing policies.

Fee- and Commission-based Products and Services

With respect to fee- and commission-based products and services, we charge for our services pursuant to government guidance prices and with reference to market prices. Products and services involving the implementation of government guidance prices include basic RMB settlement business specified by the CBRC and the NDRC. We adjust the prices of fee- and commission-based products and services based on factors such as the market and costs, which include constantly changing market conditions, costs of providing the products and services, and prices for similar products and services offered by our competitors.

MARKETING

We have adopted a customer-oriented approach to the organization of our marketing function. We use a three-tier (headquarters, branch and sub-branch) marketing model. Our headquarters formulates our overall business development plans and strategies and develops our bank-wide marketing initiatives and guidelines. The plans and strategies formulated by our headquarters are implemented by our headquarters, branches and sub-branches, as applicable. Branches and sub-branches conduct marketing activities in their respective regions and collect valuable information from customers, which help to further enhance our sales and marketing programs. In order to provide high-quality customer service, we emphasize teamwork and cross-department initiatives in our marketing activities. Our front, middle and back offices work closely together and formulate customer service plans.

For our key customers, we use a professional service team at our headquarters to directly market to the key customers and to improve our ability to serve such core customers. In addition, in order to improve marketing for our key projects, our headquarters directly handles marketing for key projects initiated by our branches, directly allocates marketing for key projects of our branches to our headquarters, implements project reviews and determines financial service solutions.

To better promote the development of our SME business, we have established a small business banking department. Our small business banking department is primarily responsible for activities for Small Businesses including business strategy planning, marketing and product design. Small Business customers are classified based on their locations, industries and size to ensure professional service. As of the Latest Practicable Date, we had small business centers in 10 branches, responsible for regional small business marketing management. As of the Latest Practicable Date, we had 43 small-business-oriented sub-branches as a primary marketing and service platform for Small Businesses. Sales teams for Small Businesses are formed by our small business specialty sub-branches, specializing in marketing, management and maintenance for Small Business customers. In addition, we have established an online marketing support system for Small Businesses. We formulate financial service plans for Small Businesses located within marketing areas of our outlets under the brand "Zhi Hui 360" small business finance, and make available various financial service solutions for companies in different stages of business development, including start-up, growth and mature companies.

We are committed to enhancing our retail banking brand awareness. We promote our brand awareness through our major retail banking products and services, such as traditional banking services, wealth management and bank card services. We also promote our brand by cooperating with various institutions and media organizations. In addition, we promote our retail banking services through various targeted promotional activities, including offering bank card holiday promotional sales and key retail loan products and organizing various promotional events. In 2012, we were named "the Best City Commercial Retail Bank in China in 2012" ("2012中國最佳城商行零售銀行") by *Moneyweek*.

We adopt a customer-oriented retail banking service approach and strive to provide customized services to our retail banking customers. We group our target customers into ordinary customers and mid- to high-end customers. We provide standardized services to ordinary customers mainly through conventional retail channels' such as outlet counters and self-service zones. We strive to provide tailored financial products and wealth management services to some of our mid- to high-end customers mainly by designated account managers through mid- to high-end customer service counters and wealth management counters together with conventional retail marketing channels, in accordance with the actual needs of mid- to high-end customers, such as customer investment preference, risk tolerance, financial position and financial targets.

Leveraging our extensive corporate customer base, we strive to realize synergies between our corporate and retail banking businesses. We promote our retail banking business by enhancing the cooperation between our corporate and retail banking businesses and promoting cross-selling between these two segments.

DISTRIBUTION NETWORK

We provide our banking services through a variety of distribution channels. As of June 30, 2013, our distribution network consisted of 199 outlets. In addition, we are increasingly promoting the use of electronic banking channels, including self-service zones, online banking, telephone banking and mobile phone banking. We believe that our network of outlets and electronic banking channels enables us to render quality services to our customers in an effective way and provide them with an enhanced banking experience.

Outlets

As of June 30, 2013, we had a total of 199 outlets, including our headquarters, 17 branches and 181 sub-branches. Out of the 199 outlets, 193 outlets are located in Anhui and six outlets are located in Nanjing, Jiangsu Province. Our outlets in Anhui cover 16 major cities and a majority of the counties in Anhui. The following table sets forth the number of our outlets in Anhui and Nanjing as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
Region	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Hefei	38	23.0%	40	22.7%	40	21.1%	43	21.6%
Wuhu	20	12.1	20	11.4	21	11.1	21	10.6
Maanshan	16	9.7	16	9.1	17	8.9	17	8.5
Anqing	15	9.1	15	8.5	15	7.9	15	7.5
Bengbu	18	10.9	18	10.2	18	9.5	18	9.0
Huaibei	13	7.9	13	7.4	13	6.8	13	6.5
Lu'an	10	6.1	10	5.7	11	5.8	12	6.0
Huainan	11	6.7	11	6.2	11	5.8	11	5.5
Other cities in Anhui(1)	22	13.3	29	16.5	39	20.5	43	21.8
Nanjing	2	1.2	4	2.3	5	2.6	6	3.0
Total	**165**	**100.0%**	**176**	**100.0%**	**190**	**100.0%**	**199**	**100.0%**

Note:
(1) Includes Tongling, Fuyang, Huangshan, Chizhou, Chuzhou, Suzhou, Xuancheng and Bozhou.

Electronic Banking

We offer our customers access to their accounts and the ability to conduct transactions over the Internet or a specialized network. We offer electronic banking services 24 hours a day, seven days a week through self-service banking, online banking, telephone banking and mobile phone banking. We will further promote the increased use of our electronic banking services by expanding our product offerings and enhancing the functionality of services. We won the 2012 "Best Online Banking Marketing Award for Regional Commercial Banks" ("區域性商業銀行最佳網上銀行市場推廣獎") and the 2011 "Best Online Banking Business Expansion Award for Regional Commercial Banks" ("區域性商業銀行網上銀行最佳業務拓展獎") from China Financial Certification Authority. In the 2010 annual China electronic banking award ceremony, we won the "Best Online Banking Business Innovative Award for Regional Commercial Bank" ("區域性商業銀行網上銀行最佳業務創新獎").

Self-Service Banking

In an effort to provide banking convenience to customers and reduce operating costs, we have been increasing our investment in self-service zones and automatic service machines (including ATMs and Cash Recycling Systems). As of June 30, 2013, we had a total of 410 self-service zones in use with 1,202 automatic service machines, representing increases of approximately 18.5% and 24.0% as compared to June 30, 2012, respectively.

Online Banking

We offer various customer-oriented corporate and personal online banking services. Our corporate online banking services mainly include account inquiry, transfer, remittance, salary payment, account management and cash management. Our personal online banking services primarily include account management, money transfer and remittance, fee payment, wealth management, retail loans and credit cards. As of June 30, 2013, we had approximately 958,000 online banking customers, including approximately 49,000 registered corporate customers and 909,000 registered retail customers.

Telephone Banking

We offer telephone banking services through our national customer service hotline "40088-96588" (direct line for Anhui 96588). Customers may access an automated voice system and speak live to virtual representatives. Our services include information inquiry, account inquiry and management, emergency card lost reporting, money transfer, bill payment, investment and wealth management as well as customer complaints and recommendations handling. As of June 30, 2013, we had a total of approximately 668,300 contracted telephone banking customers, including approximately 650,700 individual customers and 17,600 corporate customers.

Mobile Phone Banking

We officially launched our mobile phone banking customer service in December 2012, providing services such as account inquiry, money transfer, bill payment and account management.

We provide financial messaging system services for our contracted customers, which mainly include notification services upon changes in account information and loans. As of June 30, 2013, we had approximately one million contracted users of our financial messaging system, including approximately 973,700 individual customers and 24,400 corporate customers.

INFORMATION TECHNOLOGY

Information Technology Management and Planning

In order to comply with the changing needs of corporate governance and risk management, we have established an information technology committee, comprising our senior management, principal operating departments and information technology department. Our information technology committee is responsible for approving relevant information technology construction planning, establishing material information technology projects and information measures as well as supervising the implementation of informational technology construction.

We formulated a five-year information technology development plan and construction blueprint in 2008. In 2012, we formulated a three-year development plan for 2013-2015, which promotes seven major applications: basic support, service channels, operational support, customer relationship management, corporate management, risk management and corporate information. In addition, this plan aims to enhance our capabilities in eight major areas: strategy management, risk management, customer management, product management, channel management, financial management, performance management and operation management. We have formulated an information technology governance framework which meets our own development needs, established an information technology risk prevention system and regulate information system development and operation maintenance, so as to ensure a safe, stable and efficient information system.

Information Technology System Development and Management

Our information technology system is a vital component of our operations, which include transaction handling, customer service, risk prevention, management decision making and financial management. We have established a specialized information technology department, which is responsible for the implementation and formulation of information technology, establishing unified technological standards and management policies and providing technological support to the information technology departments of our outlets. As of June 30, 2013, we had a total of 98 completed information systems. For customer service, we have built a concentrated and unified data transaction service and completed the construction of systems including self-service banking, online banking, telephone banking and mobile phone banking, to meet the demand of these four major electronic service channels. For business development, we have established systems for small and large payments, interbank payments, domestic foreign currency payments, treasury banking, credit cards, IC cards, electronic commercial drafts, note management, check image exchange, fund sales, wealth management, bancassurance, electronic saving bonds and capital management. For management decision-making, we have established systems for internal compliance, internal fund transfer pricing, credit risk ranking, financial management, human resources management, office automation, off-site auditing, data platform, operations management analysis, which provide technical support for enhancing internal management standards and efficiency.

For information risk management, we have adopted various information technology safety measures, including firewalls, data encryption and intrusion detection, to enhance our information safety prevention and management and ensure the maintenance of continuously safe information systems. In order to reduce risks arising from system failures, we have adopted measures to back up data for our key systems and communication networks on a real-time basis. In addition, we established a catastrophe backup center in Hangzhou, Zhejiang Province in 2009.

We believe information technology infrastructure and information systems are essential for the effective management and successful development of our businesses. Therefore, we plan to continue to increase our investment in information technology infrastructure and applications. In order to adapt to changing requirements of corporate governance and overall risk management, we will continue to optimize and upgrade the functionality of our current systems while accelerating the development of new systems. We are launching a series of information technology projects, with a focus on electronic banking, risk management and management accounting systems.

COMPETITION

We face competition in our principal areas of business from other commercial banks where we have operations. We compete principally with Five Large State-owned Commercial Banks, Nation-wide Joint Stock Commercial Banks and China's policy banks with branches in Anhui and Nanjing. In addition, we face increasing competition from other commercial banks launching operations in Anhui and Nanjing. After joining the World Trade Organization in December 2001, China gradually phased out restrictions on foreign banks with regard to geographical distribution, customer base and scope of operations. Pursuant to the Closer Economic Partnership Arrangements with Hong Kong and Macau, China allows small banks in these two regions to conduct RMB business in China. As a result of the gradual loosening of restrictions on foreign banks, we expect to see increasing competition from foreign banks in the banking sector.

We also compete for customer resources with other financial institutions, including the Postal Savings Bank of China and agriculture credit cooperatives. In addition, with the rapid development of capital markets and the insurance industry in the PRC, non-banking financial institutions, such as securities firms, fund management companies and insurance companies also impose competitive pressure on the banking industry.

We believe that competition in the PRC banking industry will continue to intensify. The principal competitive factors in the banking industry include capital strength, risk management, asset quality, reach of distribution network and customer base, brand recognition and scope, quality and pricing of products and services. In response to the increasingly competitive environment, we intend to improve our capabilities in the above areas and enhance our competitiveness to differentiate us from our competitors and to enable us to compete effectively in Anhui and other areas where we intend to launch our business operations.

EMPLOYEES

As of June 30, 2013, we had 4,515 full-time employees. The following table sets forth the number of full-time employees by function as of June 30, 2013:

	As of June 30, 2013	
	Number of employees	% of total
Corporate banking	903	20.0
Retail banking	463	10.3
Treasury operations	43	0.9
Finance and accounting	449	9.9
Risk management, internal audit and legal and compliance	204	4.5
Information technology	161	3.6
Management	750	16.6
Others	1,542	34.2
Total	**4,515**	**100.0%**

The following table sets forth the number of full-time employees by age as of June 30, 2013:

	As of June 30, 2013	
	Number of employees	% of total
Aged 31 or below	1,239	27.4
Aged 31-40	1,639	36.3
Aged 41-50	1,490	33.0
Aged over 50	147	3.3
Total	**4,515**	**100.0%**

Through employee recruitment and ongoing investment in training resources, we provide our staff with favorable conditions for self-improvement. We implement domestic and overseas training to strengthen the cultivation of our management and professional team. In 2012, we organized 12 training classes for management of all levels and over 70 professional training classes.

We offer competitive compensation to our employees through a comprehensive performance appraisal and incentive and restraint system. We provide benefits to our employees in accordance with PRC laws and regulations on pension insurance, health insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing fund. In addition, we provide our employees with corporate benefits, including enterprise annuity and supplementary health insurance.

We have not experienced any strikes or other material labor disturbances that have affected our operations. Our management, the labor union and employees have maintained good relationships.

In addition to full-time employees, as of June 30, 2013, we also had 1,112 contractors from third-party human resources agencies. These contractors are not our employees and generally hold non-key positions with us, such as bank teller and customer service officer positions. We do not enter into employment agreements with these contractors. Instead, such contractors enter into employment agreements with third-party human resources agencies. Under PRC law, we are not obligated to make social security contributions for these contractors. However, pursuant to the employment contracting agreements between third-party human resource agencies and us, we make salary payments, social security contributions and other related payments for the contractors to these agencies. These agencies handle salary payments to the contractors and social security contributions to the relevant governmental entities for the contractors. If the third-party human resource agencies fail to make payments of salaries and social security contributions for the contractors, we may be found jointly liable for claims brought by the contractors under PRC law. However, we can seek indemnification from the third-party human resource agencies under the relevant employment contracting agreements. The amended PRC Labor Contract Law (2012 Revision) that came into effect on July 1, 2013 has set out requirements on the positions and salaries of contractors. We will ensure our compliance with such requirements while making efforts to lower our labor costs.

PROPERTIES

Our headquarter is located at Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, China. As of the Latest Practicable Date, we owned two parcels of land with an aggregate site area of approximately 20,800 square meters, 140 properties with an aggregate GFA of approximately 175,500 square meters in China. As of June 30, 2013, we owned two properties under construction, and leased 256 properties with an aggregate GFA of approximately 155,600 square meters in China.

Owned Properties

As of the Latest Practicable Date, we owned and occupied two parcels of land with an aggregate site area of approximately 20,800 square meters. We have obtained land use right certificate for these land parcels by way of assignment.

As of the Latest Practicable Date, we owned and occupied 140 properties with an aggregate GFA of approximately 175,500 square meters (including land use rights for the land on which such properties were erected), among which:

1. For 135 properties with a GFA of approximately 173,200 square meters, accounting for 98.7% of the aggregate GFA of our owned properties, we have obtained the relevant building ownership certificates for the land on which such buildings were erected. We have also obtained the land use right certificates for the land on which such properties were erected by way of assignment according to the law. As advised by King & Wood Mallesons, our PRC legal adviser, we own the legal title to the properties and the land use right certificates for the land on which such buildings were erected, and we have the right to occupy, use, transfer, lease, pledge or otherwise dispose of such properties.

2. For two properties with an aggregate GFA of approximately 700 square meters, representing 0.4% of the aggregate GFA of our owned properties, we have obtained the building ownership certificates, but have not obtained the land use right certificates for the land on which such buildings were erected. As advised by King & Wood Mallesons, our PRC legal adviser, as we have obtained the relevant building ownership certificates, there are no material legal impediments for us to occupy and use those properties. However, we may not freely transfer, mortgage or otherwise dispose of such properties before we obtain the relevant land use right certificates. In the event that the land on which those properties were erected was auctioned or disposed of as a result of any action taken by the land use right owner, the buildings owned by us will also be auctioned or disposed of in conjunction with such land. As a result, we may lose the ownership of such buildings, but we are entitled to the proceeds from the auction or disposal of those buildings.

3. We have not obtained the building ownership certificates or the land use right certificates for three properties with a GFA of approximately 1,600 square meters, accounting for 0.9% of the aggregate GFA of our owned properties. As advised by King & Wood Mallesons, our PRC legal adviser, we may not legally transfer, mortgage or otherwise dispose of such properties before we obtain the relevant building ownership certificates and land use right certificates for these properties.

We have not obtained building ownership certificates and/or land use right certificates for properties as set forth in Items No. 2 and No. 3 above, therefore, we have defective titles to these properties. These properties with defective titles are used for purposes of office, operation and residence. The reasons that we have failed to obtain the building ownership certificates and/or land use right certificates primarily include the shortage of materials, disputes in the land use right, or the outstanding land premium owned by the developer. For the abovementioned properties with defective titles for purposes of office or operation, we are actively negotiating with the competent authorities for improving these properties with defective titles, and applying for building ownership certificates and land use right certificates. Based on our communications with the relevant PRC government authorities, we do not believe there is any material legal impediment for us to obtain such title certificates. We expect to obtain the relevant certificates by the end of 2013. We were not involved in any non-compliant activities during the process of obtaining such properties with defective titles. As such, we do not believe we will be subject to any administrative penalties as a result of our failure to obtain the relevant title certificates. As of the Latest Practicable Date, we have not been considered by the competent authority to be in violation of laws and regulations for the defective titles, and we have not been levied any administrative penalty as a result of these defects.

Given that the GFA of properties with defective titles is immaterial and that such properties are located in different regions, the probability of all or part of these properties being auctioned or disposed of simultaneously is remote, our Directors believe that such defects in property titles will not have a material effect on our operations. In the event that any third party obtains the building ownership rights of such buildings or the land use rights of the land on which such buildings were erected through legal requests or proceedings and we need to relocate, we will immediately effect relocation to alternative premises with full title certificates or legally leased. As the cost for the relocation is low, such relocation will not have material effect on our operations and financial condition.

Leased Properties

As of June 30, 2013, we leased 256 properties with an aggregate GFA of approximately 155,600 square meters, which we mainly use as business premises:

1. For 164 properties with an aggregate GFA of approximately 113,300 square meters, the lessors have obtained the relevant building ownership certificates or the consent letter from the owners to authorize the lessors to lease or sublease the specific properties. Our PRC legal adviser, King & Wood Mallesons, is of the view that these leases are valid.
2. For 85 properties with an aggregate GFA of approximately 42,000 square meters, the lessors have not provided us with the relevant building ownership certificates or the consent letter from the owners to authorize the lessors to lease or sublease the specific properties, but have provided their written confirmation letters acknowledging their right to lease the properties and undertaking to indemnify us for losses arising from the defective titles of such leased buildings and units.

3. For seven properties with an aggregate GFA of approximately 300 square meters, the lessors have not provided us with the relevant building ownership certificates or the consent letter from the owners to authorize the lessors to lease or sublease the properties, or the confirmation letters mentioned above.

Among the above leased properties, the lease agreements of one leased property with a GFA of approximately 600 square meters have expired, which we are in the process of renewing.

Among the above leased properties, we have registered the lease agreements with the relevant PRC authorities for 123 properties with an aggregate GFA of approximately 85,200 square meters. In addition, the registration of seven properties with an aggregate GFA of approximately 3,500 square meters has expired, for which we are currently handling the relevant lease registration procedures. We have not registered the lease agreements for the remaining properties.

Our PRC legal adviser, King & Wood Mallesons, is of the view that, (1) based on the PRC Law on the Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) and other relevant laws, regulations and judicial interpretations, the lessor will not have the right to lease the properties if it does not have the ownership of the properties and/or the authorization or consent from the owner. In this case, if any third party raises objection toward the validity of the lease, it may affect our ability to continue leasing such properties, but we may still raise claims against the lessor based on the specific leasing agreements or the written confirmation provided by the lessor. In addition, we can be deemed as the legitimate tenant based on relevant judicial interpretations when the lessor enters into two or more lease agreements on a same leasehold; (2) according to the relevant judicial interpretations, the non-registration of the lease agreements will not affect the validity of such lease agreements but we may be exposed to penalties by the relevant PRC authorities.

According to the Administration Rules on Tenancy of Commodity Housing, we may be ordered by the competent authority to make corrections for any non-registration of lease agreements, and we may be subject to fine of more than RMB 1,000 and less than RMB 10,000 for delay in making such corrections. In the past three years, we have not been subject to penalties by the relevant housing administrative authorities for non-registration of lease agreements. Our Directors believe that if the defective legal titles to such properties or the non-registration of the lease agreements prevents us from continuing the lease of any properties so the relevant branches need to move, the branches can relocate to other comparable and duly leased alternative premises in the relevant regions without any material adverse effect on our business and financial condition.

Properties under Construction

As of June 30, 2013, we had two properties under construction with an aggregate site area of approximately 39,000 square meters, details of which are as follows:

As of June 30, 2013, the construction of our headquarters has not commenced, and we will apply for the relevant land use right and construction permits prior to such commencement. With respect to the land within the scope of the construction, we have entered into the State-owned Land Use Right Grant Contract with Hefei Municipal Land Resources Bureau on April 19, 2012, and we have fully paid the land premium. As of the Latest Practicable Date, we had obtained the land use right certificate.

As of June 30, 2013, we have obtained the construction land planning permit, land use right certificate, construction works planning permit and construction permit for the composite building construction project of our Maanshan branch. We have obtained the land use right to occupy such land, and we have the right to construct such property under construction pursuant to PRC laws.

Property Valuation

As of June 30, 2013, we have no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required to include in this document any valuation report.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

Legal Proceedings

We are involved in legal disputes in the ordinary course of our business, which mainly include legal proceedings brought against borrowers for the recovery of loans. As of the Latest Practicable Date, we were involved in two pending lawsuits as defendant with claims over RMB500,000, of which the total potential amount of claims are approximately RMB2.33 million. We do not expect that the above filed or pending litigations against us, either individually or collectively, will materially and adversely affect our business, financial condition or results of operations, even if any relevant court decisions are unfavorable to us.

In addition, we are involved in one equity interest dispute as defendant. On June 20, 2011, Anhui Anzhen Investment Company Limited (安徽安振投資有限公司) filed a lawsuit with the Hefei Intermediate People's Court for a declaration that it is the legitimate holder of 2,244,724.5 shares of our Bank, and among other things, sought the payment of dividends and corresponding interest totaling RMB4,329,887. In its complaint, Anhui Anzhen Investment Company Limited argued that it was a shareholder of our Bank because it received shares from a shareholder of Hefei City Commercial Bank Corporation Limited, our predecessor. Anhui Anzhen Investment Company Limited subsequently withdrew the case on December 12, 2011. In December 2012, Anhui Anzhen Investment Company Limited again filed a lawsuit with the Hefei Intermediate People's Court, seeking, among other things, the declaration that it is the legitimate holder of 2,244,724.5 shares. The court has issued the first instance verdict against us, and decided that Anhui Anzhen Investment Company Limited owns 1,690,000 shares of our Bank. We have filed an appeal, and the case is currently in the second instance trial process. The ownership of the disputed shares is subject to final determination by the court of appeal. The disputed shares are for the time being registered in the name of an independent third party, which has not been involved in the lawsuit. The disputed shares have been included in our issued shares; therefore, the amount of our total share capital will not increase even if the court ultimately decides against us.

In our opinion, the legal proceedings in relation to the above-mentioned equity interest dispute will not have a material adverse effect on our business, financial position or results of operations.

Regulatory Inspections and Proceedings

Administrative Penalties

We are subject to inspections and examinations by PRC regulatory authorities, such as the PBOC, the CBRC, the MOF, the State Administration of Taxation and the Audit Office and their respective local offices. We have been subject to administrative penalties, mainly in the form of fines, as a result of such inspections and examinations. The details of the penalties imposed by the relevant regulatory authorities on us during the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 and as of the Latest Practicable Date are as follows:

MOF

- In 2011, one administrative penalty was imposed on our Maanshan branch and Hefei branch by the Financial Supervision Commissioner's Office of the MOF, resulting in fines totaling RMB60,000. The primary reason for these administrative penalties was that original receipts for expense reimbursement were not in compliance with the relevant requirements. Certain employees in our Finance Department failed to check the receipts as required by our expense reimbursement rules. To prevent the recurrence of similar instances of non-compliance, we have adopted remedial actions, including but not limited to (i) adopting more stringent verification procedures; (ii) strengthening the monitoring and inspection on expense reimbursement; and (iii) strengthening the training of employees in our Finance Department.

Audit Office

- In 2010, one administrative penalty was imposed on us and our Anqing branch by the Audit Department of Anhui Province and the Audit Bureau of Anqing City in Anhui Province, resulting in fines totaling RMB55,000. The primary reason for these administrative penalties was false invoices for expense reimbursement. We believe the reasons for the non-compliance include (i) deficiencies in our internal controls over expense reimbursement; and (ii) failure by certain employees to check the receipts as required by our expense reimbursement rules. To prevent the recurrence of similar instances of non-compliance, we have adopted remedial actions, including but not limited to (i) improving our internal controls over expense reimbursement; (ii) adopting more stringent verification procedures; and (iii) strengthening the monitoring and inspection on expense reimbursement.

PBOC

- In 2010 and 2012, two administrative penalties were imposed on us by the PBOC Hefei Central Sub-branch, resulting in fines of RMB20,000 in aggregate. The primary reason for the administrative penalties was that account management was not in compliance with the relevant requirements. We believe the reasons for the instances of non-compliance include (i) incorrect entry of account names; (ii) failure by our customers to file applications for the cancellation of accounts in a timely manner; (iii) accelerated payment instructions by our customers. To prevent the recurrence of similar instances of non-compliance, we have adopted remedial actions, including but not limited to (i) strengthening the data entry management and training of data entry personnel and (ii) enhancing operation procedures and centralizing account management functions.

Tax authorities

- During the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 and up to the Latest Practicable Date, ten administrative penalties were imposed by certain tax authorities in Anhui Province, resulting in fines totaling approximately RMB5.20 million. The primary reasons for these administrative penalties relate to insufficient payment (or withholding) of individual income tax, enterprise income tax and business tax.

We have fully paid the above penalties. In addition to the remedial actions set forth above, we have taken, and will continue to take, the following key steps and measures to rectify the issues identified by the PRC regulatory authorities: (i) for issues with clear solutions, we promptly rectify such issues in accordance with recommendations from the PRC regulatory authorities and our policies and procedures; (ii) for issues arising from deficiencies in our policies and procedures, we rectify and improve the relevant policies and procedures in order to further streamline our operations; (iii) for issues arising from deficiencies in the implementation of policies, we hold the responsible employees accountable and issue relevant internal warnings and instructions; (iv) in relation to outlets which were not inspected by the PRC regulatory authorities, we consider issues identified by the PRC regulatory authorities and carry out further investigations in order to eliminate similar operational risks and management weaknesses; and (v) to prevent recurrence of these issues, we provide additional training to our employees, adopt new measures for risk management and reform our internal control systems. Through the above measures, we believe that we have taken appropriate actions to rectify the identified deficiencies. As of the Latest Practicable Date, we have not received any objection to our remedial actions, or any request to implement further remedial measures, from the regulatory authorities. Our Directors believe that the above penalties did not, individually or in aggregate, have a material adverse effect on our financial position or results of operations.

Findings of Regulatory Examinations

Regulatory authorities including the CBRC, the PBRC and the MOF conduct routine or *ad hoc* inspections on our compliance with the relevant laws and regulations, guidelines and regulatory requirements. During the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 and as of the Latest Practicable Date, regulatory authorities including the CBRC Anhui Office and the PBOC Hefei Central Sub-branch conducted inspections on our risk management, internal control, corporate governance and various operations of the sales departments of our headquarters and our branches. Although the above inspections have not identified any substantial risk or incidents of non-compliance, findings of the inspections have revealed certain deficiencies in various areas of our business operations, risk management and internal control. We promptly adopted remedial measures in accordance with recommendations from the relevant regulatory authorities and improved our risk management and internal control systems. The results of the recent inspections are set out below:

- On April 1, 2013, the CBRC Anhui Office issued regulatory opinions setting out recommendations to improve our operations and risk management in the following areas: (i) pay attention to our key industries, areas and customers and strengthen risk management; (ii) improve our corporate governance and strengthen the management of our strategic planning, performance assessment system, share capital, equity interests and external investments; (iii) highlight our operating characteristics, enhance our product innovation, increase our support efforts for SMEs and improve our service quality; and (iv) intensify the building of our talent pool and internal control system, and step up our efforts in the implementation of regulatory policy. In accordance with these opinions, we promptly adopted various remedial measures, including carrying out risk investigations on key industries, areas and customers, strengthening the management of credit, liquidity and market risks as well as the risks associated with off-balance sheet businesses and information technologies. In addition, we clearly defined our development strategy, improved our performance evaluation mechanisms, formulated our annual capital management program, strengthened management of our equity interest transfers, and prudently carried out external investment. Furthermore, we strengthened the features and differentiation of our product offerings, services and network layout, optimized our credit structure, issued financial bonds to cater to credit demand from small and micro enterprises and increased our efforts to supervise and inspect the provision of services. Moreover, we promoted the construction of professional position sequences and corporate culture, strengthened the management of our branches and sub-branches, and stepped up our efforts to track and supervise the implementation of the above regulatory opinions. On May 31, 2013, we submitted a rectification report in respect of the above opinions to the CBRC Anhui Office. As of the Latest Practicable Date, we have not received any objection to our rectification report or remedial measures, or any request to implement further remedial measures, from the regulatory authorities.

- The CBRC Anhui Office conducted on-site examinations of our internal control system between May 9, 2012 and May 31, 2012 and issued its findings, making the following recommendations : (i) improve our credit granting system; (ii) strengthen our credit business management; (iii) improve our loan classification system; (iv) enhance the management of our capital intermediary business; (v) standardize charges for fee- and commission-based service business; (vi) improve our financial management and prepare a sound budget; (vii) strengthen our accounting management and increase penalties for non-compliance; (viii) strengthen human resources management, further implement job rotation system for key employees; (ix) strengthen auditing efforts; and (x) enhance monitoring and safeguarding management. We promptly adopted various remedial measures according to these recommendations, including: developing relevant requirements in response to the deficiencies in our credit granting system; conducting various specialized examinations of our credit granting business and providing training to employees; refining the relevant requirements of our loan classification system, capital intermediary business and risk management; conducting specialized examinations to eliminate inappropriate charges; improving liquidity risk stress tests, carrying out emergency response exercises, establishing a balance sheet management system and implementing loan limits management; implementing the demerit point scheme for non-compliance by staff, and optimizing core business mechanisms; accelerating the rotation of key employees, and engaging a consultancy firm to provide recommendations on our organizational structure; increasing the number of audit employees and strengthening monitoring and safeguarding efforts. On December 27, 2012, we submitted a rectification report in respect of the above findings to the CBRC Anhui Office. As of the Latest Practicable Date, we have not received any objection to our rectification report or remedial measures, or any request to implement further remedial measures, from the regulatory authorities.

- On April 6, 2012, the CBRC Anhui Office conducted a meeting with our relevant officers to discuss regulatory issues, and proposed the following requirements on our rectification actions against non-standardized operations: (i) our fees have to be made public; (ii) there should be designated staff at each outlet to explain the details of fees; (iii) customer complaints should be handled properly; (iv) our loan contracts have to be sorted and adjusted; (v) special rectification actions have to be publicized through the media; (vi) strengthen communications with price monitoring department. We promptly adopted various measures to implement these requirements, including: make a public announcement on our fees; conduct publicity and readily give explanation; increase our efforts in handling customer complaints; accelerate sorting of loan agreements; enhance positive publicity and report on issues related to our fees and price management to relevant officers of the price monitoring department. On April 27, 2012, we submitted an implementation report in respect of the above regulatory requirements to the CBRC Anhui Office. As of the Latest Practicable Date, we have not received any objection to our implementation report, or any request to implement further remedial measures, from the regulatory authorities.

- The PBOC Hefei Central Sub-branch conducted examinations of our operations between September 26, 2011 and October 21, 2011 and issued its findings on December 30, 2011. Major rectification actions recommended by the PBOC Hefei Central Sub-branch include (i) further strengthening the management of our statutory deposit reserve, (ii) increasing our credit support for SMEs and eliminate unreasonable service charges, (iii) improving our corporate governance and strengthen the management of our outlets beyond Anhui Province to minimize operational risks, (iv) improving the quality of our financial statistical operations, (v) strengthening the management of RMB settlement accounts, (vi) improving our credit investigation system, (vii) intensifying our anti-money laundering efforts. We promptly adopted various measures to implement these recommended actions, including taking the following remedial actions: streamline the management process of statutory deposit reserve, issue internal guidance on promoting credit support for SMEs, increase our efforts in handling customer complaints, strengthen the implementation of internal rules on corporate governance, strengthen risk management, improve statistical training and inspection, implement remedial actions to rectify deficiencies in account management, issue internal guidance on credit investigation, improve operational procedures and issue internal rules for anti-money laundering purposes. On January 18, 2012, we submitted a rectification report to the PBOC Hefei Central Sub-branch. As of the Latest Practicable Date, we have not received any further inquiry about or objection to our proposed remedial actions, or any request to implement further remedial measures, from the PBOC Hefei Central Sub-branch.

- The PBOC Hefei Central Sub-branch conducted examinations of our personal credit investigation system between June 28, 2010 and June 29, 2010 and issued its findings on July 19, 2010, making the following recommended remedial actions: (i) improving customer information management and establish a registration system for purposes of post-lending risk management, and (ii) strengthening the training about and inspection of the operation of personal credit investigation system. On August 2, 2010, we issued a rectification notice to various departments of our Bank and submitted the notice to the PBOC Hefei Central Sub-branch. The notice specified our remedial measures, including enhancing the management of the PBOC personal credit investigation system, strengthening the authorization procedures for personal credit information inquiries, and strengthening the registration of personal credit information and password management for personal credit information customers. As of the Latest Practicable Date, we have not received any further inquiry about or objection to our proposed remedial actions, or any request to implement further remedial measures, from the PBOC Hefei Central Sub-branch.

Our Directors are of the view that, the deficiencies identified in inspections and examinations by the PRC regulatory authorities did not have, individually or in aggregate, a material adverse effect on our business operations.

Employee Non-Compliance

Some employees may violate regulatory requirements and we penalize for their non-compliance. During the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 and as of the Latest Practicable Date, our employees were involved in non-compliance incidents in which our employees were penalized by the relevant regulatory authorities or were prosecuted or convicted. The details of these non-compliance incidents and the remedial measures we took were as follows:

Liu Guoxing (劉國興) bribery case

Liu Guoxing is a former president of the Jiashan sub-branch of our Maanshan branch. Between September 2007 and February 2010, Liu Guoxing accepted bribes of RMB78,000 from certain corporate loan customers during his tenure as the president of the Jiashan sub-branch. In January 2011, the Maanshan Huashan District People's Court of Anhui Province issued the first instance verdict, in which Liu Guoxing was convicted for accepting bribes as non-state staff and was sentenced to two years imprisonment but was granted a two-year reprieve.

In our opinion, the case reflects the need for us to increase our efforts in monitoring employee behavior and internal control. We have taken the following remedial measures, including (i) termination of the employment contract between us and Liu Guoxing; (ii) paying visits to the customers served by Liu Guoxing; (iii) conducting inspections on the internal control measures of the Jiashan sub-branch of our Maanshan branch; and (iv) providing compliance education to the relevant business personnel.

The above case is an individual case involving the violation of laws and our internal requirements by a former employee. We do not believe it will have a material adverse effect on our operations. We will continue to strengthen our risk control and internal management system to prevent the recurrence of similar incidents.

Except as disclosed above, there had been no discovery of other bribery case during the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 and up to the Latest Practicable Date.

Anti-Money Laundering

No material abnormal money laundering incidents had been identified or reported to the senior management during the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013. For the details of our anti-money laundering measures, see "Risk Management—Legal and Compliance Risk Management—Anti-Money Laundering."

OVERVIEW

The primary risks we face in relation to our operations are credit risk, operational risk, market risk and liquidity risk. We are also exposed to other risks, such as reputational risk and legal and compliance risk.

Since our inception, we have been committed to enhancing our risk management capability, implementing comprehensive risk management strategies and maintaining a "prudent, rational and stable" risk appetite, and have established a clear, rational and comprehensive risk management framework. Our risk management objectives are as follows:

- enhancing our risk management organizational structure;
- improving our risk management system and procedures;
- implementing advanced risk measurement and management tools; and
- fostering a corporate culture of sound risk management.

To achieve these objectives, we have undertaken a number of initiatives in recent years, including:

- *Strengthening our research on macroeconomic policies and analyzing macroeconomic trends.* By strengthening our research and analysis capabilities, we studied macroeconomic trends and policy changes, assessed their impact on our operations, and adjusted our business strategies accordingly. We formulate risk management policies every year to guide our business development based on the macroeconomic trends, our business requirements and our risk appetite.
- *Refining risk management system.* We consistently believe in the equal importance of risk management and business development. Accordingly, we strongly promote the implementation of comprehensive risk management strategies to manage our exposure to credit, operational, market, liquidity, legal and compliance, reputational and other risks. We expanded the functions and scope of risk management and enhanced our risk management organization structure, improved our risk management tools, and strengthened our core competency in risk management. We have maintained strict supervision and control over the identification, measurement, monitoring and management of credit risk, promoted multi-level management and centralized reporting for operational risk, and implemented centralized management for market risk.
- *Enhancing the management of risk appetite.* We consistently adhere to a "prudent, rational and stable" risk appetite and impose risk limits for our operations. Based on our strategic development goals and market environment, we seek to achieve a balance between risks and returns, formulate a bank-wide risk appetite, set annual risk policies and risk limits, and consistently implement our risk management policies and measures, so as to achieve sustainable development.
- *Improving risk management mechanisms.* We have established a series of effective risk management mechanisms that cover, among others, risk monitoring, risk alert, risk management, risk assessment and risk accountability. In addition, we have set up risk management teams for our corporate banking, small business banking, retail banking and financial market departments to control their respective risks, and have assigned risk management officers to supervise our treasury operations.

- *Improving credit structure and loan portfolios.* We strictly adhere to our credit policies and procedures in our lending business. We have enhanced our loan portfolio to prioritize lending to major customers in key industries, proactively balance our fund allocation among large corporate customers, SME customers and retail customers, and reduce our loan concentration.

- *Strengthening post-disbursement management and credit limit management.* In 2010, our "post-disbursement management year," we enhanced our post-disbursement management mechanism and formulated differentiated guidelines for the post-disbursement management of our corporate banking, SME banking and retail banking businesses. We also strengthened the credit risk limit management and established a corresponding risk alert mechanism for lending to certain types of customers, such as loans to local government financing vehicles and real estate companies.

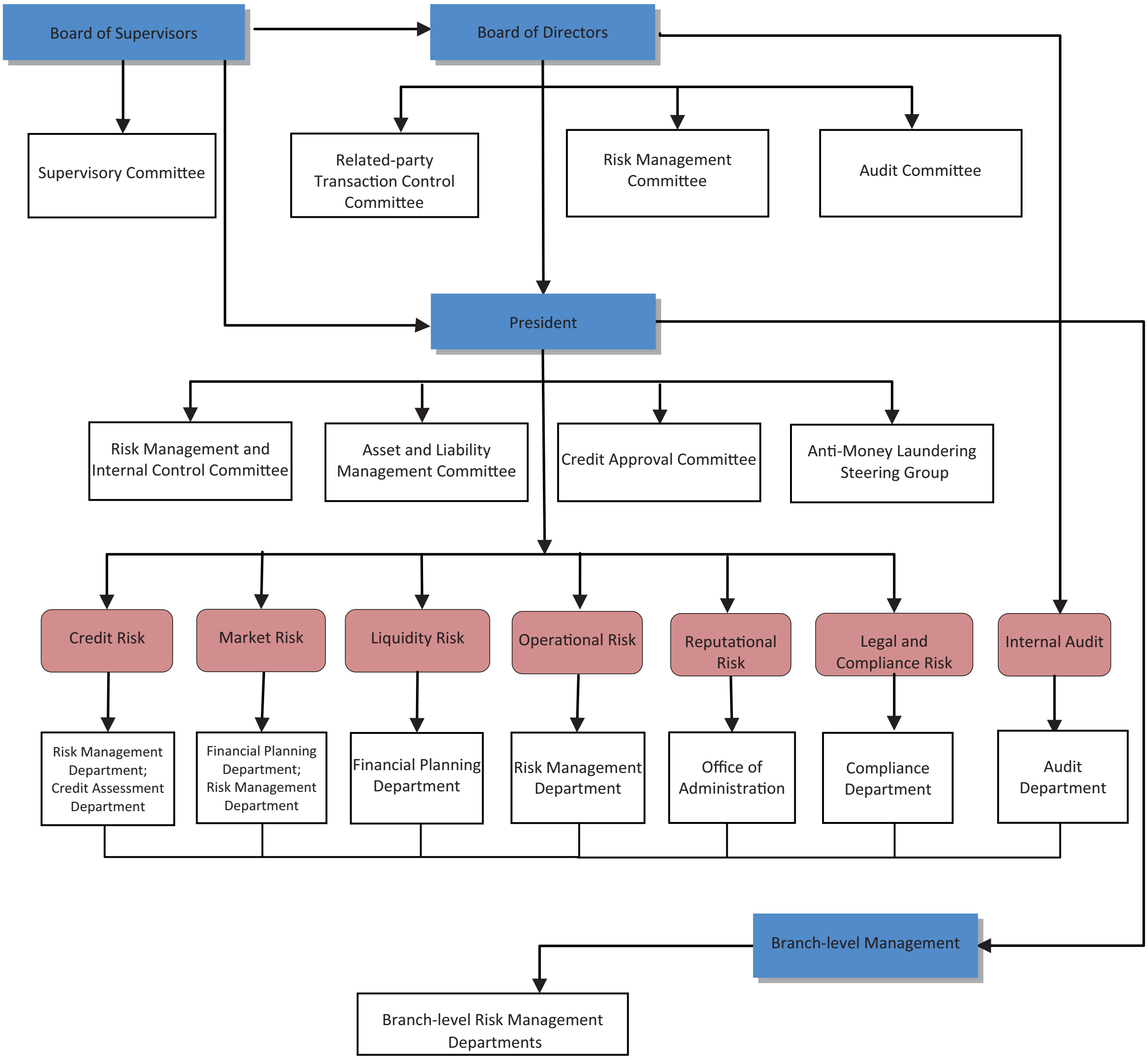
- *Regularly screening our credit risk.* Besides our daily post-disbursement management, we reviewed our credit asset quality from various perspectives through semi-annual "top-down" and "bottom-up" investigations, and took preventive measures based on such screening.

- *Periodically analyzing and assessing our overall risk exposure and internal control.* To further improve our risk management and facilitate our sustainable development, we have been, on a semi-annual basis, conducting comprehensive analyses on our primary risks, assessing the effectiveness of our risk management at our business departments and branches, and prudently evaluating the effectiveness and validity of our risk management efforts. We also regularly analyze and evaluate the adequacy and effectiveness of our internal control.

- *Enhancing implementation of advanced risk management tools.* In 2008, we began to work with Standard & Poor's Ratings Services to develop a new internal rating system for our non-retail customers based on the internal ratings-based approach set forth in the Basel II, which was launched in 2012. In 2012, we began to develop a retail credit risk internal rating system. We are among the first city commercial banks in China to have implemented the Basel II and Basel III internal ratings-based approach. We have also adopted various advanced market risk management tools, such as valuation management, scenario analysis and value-at-risk value analysis.

RISK MANAGEMENT STRUCTURE

The following diagram depicts the principal organizational structure of our risk management:



Board of Directors and Special Committees

Our board of directors is responsible for determining our overall risk appetite and reviewing and approving our risk management objectives and strategies. The risk management committee, the related-party transaction control committee and the audit committee are the three major committees for our board-level risk management.

The risk management committee is primarily responsible for reviewing our risk management policies based on our overall strategy, monitoring and evaluating the implementation and effectiveness of our risk management policies and giving recommendations to our board of directors accordingly. It also oversees the establishment of our risk management system, supervises and evaluates the organizational framework, operating procedures and effectiveness of our risk management, and gives advice for improvement. In addition, the committee reviews our risk reports, conducts regular assessments on our risk policies, risk management and risk tolerance, advises on how to improve our risk management and internal control, and supervises and evaluates our senior management's risk control activities with respect to credit risk, market risk, operational risk and other risks. Upon the authorization of our board of directors, the committee also reviews and approves major risk management issues and transactions that are beyond our president's authorization or are proposed by our president for the risk management committee's approval.

The related-party transaction control committee is primarily responsible for identifying related parties and connected persons, their relationships, and related-party and connected transactions, minimizing the risks of related-party and connected transactions, identifying and reporting material related-party and connected transactions to the board of directors for review and approval, formulating the related-party and connected transaction management system, and submitting at the end of each year a detailed report of the overall conditions, risk levels and compositions of related-party and connected transactions occurred within the year to the board of directors.

The audit committee is primarily responsible for inspecting our financial reports, annual reports and other financial information, reviewing major financial reporting opinions contained in our financial statements and reports and other documents relating to our operations, and reviewing significant issues raised by external auditors and the response of our senior management to those issues. The committee also examines information disclosed at shareholders' meetings and to the public, inspects our internal control and financial monitoring policies, audits our material related-party transactions, and monitors our compliance and the implementation of our risk management polices and internal audit policies.

Board of Supervisors and Special Committee

Our board of supervisors oversees the compliance of our directors and senior management's performance, conducts off-site audits of our executive directors and senior management, examines and supervises our financial activities, risk management and internal control, and investigates any abnormal operations. The board of supervisors has a supervisory committee, responsible for formulating specific plans for the exercise of authority by the board of supervisors.

Senior Management and Special Committees

Our senior management has the overall responsibility for managing the risks associated with our business.

Our president, with the assistance from other members of senior management, is responsible for our overall risk management at senior management level and reports directly to the board of directors.

We have established three special committees (namely, the asset and liability management committee, the risk management and internal control committee and the credit approval committee) and an anti-money laundering steering group under our senior management, which are collectively responsible for organizing, coordinating and reviewing our risk management work.

- *The asset and liability management committee* formulates material operational strategies, manages the size, composition and proportion of our assets and liabilities, and determines appropriate adjustment plans to address any problems in the management of our assets and liabilities based on our business development strategies. The committee also reviews the size and composition of our investments and transactions, our product pricing policies and plans, interest rate risk prevention plans, liquidity stress test results and risk reports, and major measures and policies for risk-weighted asset control and capital adequacy management. The members of the committee include our president as the chairman of the committee, our vice president in charge of financial planning, key officers of various business departments and special experts. The asset and liability management committee generally meets on a quarterly basis, and the chairman of the committee or the committee office may propose to hold interim meetings.

- *The risk management and internal control committee* manages the various risks and internal control in line with our risk management strategies and policies. The committee is responsible for reviewing our risk management and internal control plans, policies, systems and measures and any material risk management and internal control matters. It also reviews the bank-wide risk management and internal control reports and makes recommendations for improvement. The members of the committee include our president as the chairman of the committee, our vice president in charge of risk management and key officers of various business departments. The risk management and internal control committee generally meets on a quarterly basis, and the chairman or the authorized vice chairman of the committee may propose interim meetings when needed.
- *The credit approval committee* implements the credit policies and operation strategies of the board of directors and senior management, reviews and approves credit-related matters within its authority, oversees the implementation by relevant departments of credit-related decisions of the committee, and guides and examines the credit review process at our branches. The members of the committee include the vice president in charge of credit approval as the chairman of the committee, and other members nominated by the chairman of the committee and approved by the president. The committee generally meets on a weekly basis, and the chairman of the committee may call interim meetings when needed.
- *The anti–money laundering steering group* leads and coordinates our bank-wide anti-money laundering efforts. The group convenes regularly to review our anti-money laundering policies, systems and measures, discuss important anti-money laundering matters, supervise our anti-money laundering efforts on the identification and risk classification of customers and the reporting of large suspicious transactions. The group is led by one of our vice presidents and consists of key officers of relevant departments at our head office, including the compliance department, the corporate banking department and the retail banking department. The group holds interim meetings as needed.

Risk Management Departments at Head Office

Risk Management Department

Our risk management department is responsible for coordinating bank-wide risk management efforts on a day-to-day basis. The department formulates our overall risk management policies and systems, designs procedures for the formulation and inspection of our risk management system, conducts research on our risk appetite and proposes to the board of directors. It also studies and develops risk measuring tools and formulates customer credit rating guidelines and procedures in accordance with the Basel II and Basel III, organizes customer credit ratings and classification of risk assets, monitors and issues risk alerts with regard to our credit risk, market risk and operational risk and establishes and improves our internal risk reporting system. Moreover, the risk management department is responsible for formulating asset quality control plan and organizing the disposal of non-performing assets. The risk management department consists of seven teams, namely, the risk system management team, the corporate credit risk management team, the personal credit risk management team, the market and capital operation risk management team, the operational risk management team, the risk composition management team, the asset quality management team.

Credit Assessment Department

The credit assessment department formulates our credit policies, reviews and approves credit matters in excess of the authorized limits granted to our branches, enacts credit authorization and related delegation plans in accordance with our business development and risk management needs, and manages our bank-wide credit risk management system and credit collection work. The credit assessment department consists of five teams, namely, the policy and system management team, the industrial credit assessment team, the large customer and trade financing credit assessment team, the small business credit assessment team and the personal credit assessment team.

Financial Planning Department

The financial planning department implements the plans enacted by the asset and liability management committee, formulates our asset and liability management policies, establishes and maintains our asset and liability system, monitors our capital efficiency and optimizes our capital allocation. The financial planning department also monitors, analyzes and guides our treasury operation, manages the capital position of our head office and our liquidity risk. The financial planning department consists of six teams, namely, the asset and liability management team, the plan management team, the finance and cost management team, the capital and interest rate management team, the fixed asset management team and the statistics analysis team.

Compliance Department

The compliance department is responsible for managing our legal and compliance risk, monitoring related-party transactions and coordinating the establishment of our internal control system. Bases on our development strategy and external regulatory requirements, the compliance department formulates and enhances our framework for internal control and compliance risk management, improves internal control and compliance risk management systems to effectively identify legal and compliance risk and ensure our compliance with applicable laws and regulations. The compliance department consists of five teams, namely, the compliance affairs team, the compliance monitoring team, the anti-money laundering and connected transaction management team, the legal affairs team and the internal control management and assessment team.

Audit Department

The audit department formulates our audit policies and procedures, examines and assesses our operations, risk profile, internal control and corporate governance, conducts subsequent audits, supervises the implementation of remedial measures and facilitates our continuous implementation of national economic and financial laws, regulations and guidelines of relevant authorities. The audit department has six teams, namely, the audit and planning team, the asset and liability audit team, the financial audit team, the off-site and IT audit team, the economic liability and internal control audit team and the branch audit team.

Branch-level Risk Management

We have established risk management committees at our branches, which are responsible for establishing and improving risk management and internal control systems, reviewing material risk management and internal control issues, and providing proposals on improving risk and internal control management at our branches. Risk management committees at our branches normally consist of senior managers of our branches and key officers of relevant departments at our branches.

We have also established risk management departments at our branches, which are responsible for implementing the risk management policies formulated by our head office, conducting asset risk classification, risk monitoring and credit risk investigation, and supervising and assessing the risk management at our sub-branches. The risk management departments at our branches report to the branch management and their corresponding departments at our head office.

CREDIT RISK MANAGEMENT

Credit risk is the risk of financial loss when a borrower or counterparty fails to meet its obligations in accordance with agreed terms. We are exposed to credit risk primarily through our loan portfolio, inter-bank borrowings, investment portfolio and off-balance sheet credit exposures.

We have established a "three-line defense" system to monitor our risk management throughout each phase of our lending business. As the first line, our business units are responsible for screening and assessing customers and formulating plans for risk prevention, management and control. The risk management department, which is independent from our business departments, serves as the second line that sets forth risk management criteria for risk identification, monitoring, measurement, alert, reporting and management, and assesses the rationality of asset allocation in view of the risk management goal formulated by our board of directors. The third line is our supervisory departments, such as the audit department, which are responsible for monitoring the effectiveness and soundness of our risk management policies, systems and procedures. We have standardized our lending policies and procedures and customer credit rating system. We have also streamlined our risk management procedures for pre-loan review, credit approval and post-disbursement management. We regularly review and update our credit policies and procedures in line with the changing regulatory requirements and the evolving business environment.

Our credit policies and procedures vary according to loan products and the type and industry of customers. We implement credit limits to reduce credit concentration on certain types of customers, such as real estate developers and local government financing vehicles. We generally keep the amount of real estate loans at no more than 8% of our total loans, based on the condition of the real estate industry in Anhui and Jiangsu provinces and our forecast of the 2013 real estate market. In addition, we conduct at least one stress test on real estate loans every year, in compliance with the CBRC's requirement. Test results showed that, even under severe stress, the increase in our non-performing real estate loans had insignificant effect on our asset quality, deposit reserve, profit and capital adequacy ratio for the relevant periods.

With regard to our loans to local government financing vehicles, we have been focusing on improving the management of customer admission, credit assessment, project evaluation, fund supervision and post-disbursement management. We have increased the credit approval threshold for local government financing vehicles so that only the credit approval committee at our head office can approve such loans. We have implemented total and regional limits on loans to local government financing vehicles and constantly adjusted the size of such loans in accordance with the relevant regulatory policies. We have also formulated annual credit approval guidelines specifically for local government financing vehicles to clarify the customer management and exit standards and measures for local government financing vehicle customers, and explore other ways of cooperation with local government financing vehicles.

The CBRC requires all Chinese banks to classify their loans to local government financing vehicles in terms of cash flow coverage ratio, which is calculated as a borrower's cash flow divided by its loan principal and interest payable. The following table sets forth the cash flow coverage status of our loans to local government financing vehicles as of June 30, 2013:

Cash flow coverage status	As a percentage of total loans to local government financing vehicles as of June 30, 2013[(5)]
Fully covered[(1)]	99.7%
Basically covered[(2)]	0%
Half covered[(3)]	0.3%
Not covered[(4)]	0%

Notes:

(1) "Fully covered" means that a borrower has sufficient cash flow to repay 100% or more of its loan principal and interest payable.

(2) "Basically covered" means that a borrower has sufficient cash flow to repay 70% to 100% of its loan principal and interest payable.

(3) "Half covered" means that a borrower has sufficient cash flow to repay 30% to 70% of its loan principal and interest payable.

(4) "Not covered" means that a borrower has sufficient cash flow to repay less than 30% of its loan principal and interest payable.

(5) The percentages are shown as rounded figures.

As of June 30, 2013, among our loans to local government financing vehicles, 10.1% was granted to provincial-level vehicles, 44.9% to municipal-level vehicles and 45.0% to vehicles below the municipal level. These loans are distributed by industry among (i) infrastructure, (ii) industrial parks, (iii) land reserve centers, (iv) affordable housing projects and (v) other industries, which accounted for 43.0%, 22.5%, 16.8%, 10.5% and 7.2%, respectively, of our total loans to local government financing vehicles as of June 30, 2013.

To ensure the accuracy of risk assessment and the independence of credit approval, we follow the principle of independent, first-class and professional evaluation and proper balance of risk and efficiency. We have established a multi-level credit approval process based on the credit risk level of loan applications and the types of customers and businesses, including: at our head office, reviews by the credit approval committee, five-reviewer meetings, three-reviewer meetings, dual reviewer and a single reviewer; and at our branches, reviews by the branch-level credit approval committees, three-reviewer meetings, dual reviewer for small business banking and retail loan centers and a single reviewer for low-risk businesses.

Credit Risk Management For Corporate Loans

Customer Applications and Pre-loan Review

We formulate credit policies on an annual basis to manage fund allocation, optimize loan portfolio and reduce credit risk. Our credit policies consist of industry credit guidelines, credit assessment guidelines and customer intake guidelines. We adjust our credit policies based on China's industrial policies, the development of different industries, and the implementation of our industry-specific credit policies.

We commence the pre-loan review process upon receipt of a corporate loan application, typically at our branch or sub-branch. The applicant is generally required to file a credit application with necessary supporting documents, such as organizational documents and financial statements of the applicant, and documents relating to the guarantors, where applicable. We also proactively offer credit to potential clients with low credit risk, based on our analysis of their financial condition, industries and the primary areas of operation.

Pre-loan Due Diligence Review

Authorized officers at the relevant branch or sub-branch investigate the truthfulness, completeness and validity of the application materials. After the application passes the preliminary screening, the loan officers commence a pre-loan due diligence review focusing on a number of factors, including:

- the applicant's organizational structure and the credentials of its management team;
- the applicant's credit history, including its credit ratings, contingent liabilities and relationship with us;
- the applicant's business scope, core businesses and operation plans;
- the market and industry environment in which the applicant operates;
- the applicant's financial condition, including its profitability, accounts payable and accounts receivable, operating cash flow and indebtedness;
- the applicant's related parties and related party transactions;
- the purpose of the loan and the potential sources of repayment;
- the title and value of the collateral; and
- the creditworthiness of the guarantor.

The authorized officers are responsible for preparing a pre-loan evaluation report with detailed analysis of the above factors and a preliminary opinion on the application. The report, together with other application materials, will then be submitted to our credit assessment department for review and approval.

Customer Credit Rating

As a part of the pre-loan review process, authorized officers at the relevant branch or sub-branch are also required to initiate a credit rating on the loan applicant according to our credit rating policies and our 14-grade rating system. We rate a corporate customer based on a number of factors, such as its creditworthiness, qualification of senior management, competitiveness and growth prospects of main business and debt repayment ability.

Our internal rating system for non-retail customers uses both scoring cards and a default model to estimate the probability of default. The evaluation results of our clients have exhibited correlation with their probability of default. Based on the scores, we rate our corporate customers from AAA to D. We generally reject the loan applications of customers with credit ratings below BB. The following table illustrates our 14-grade rating system for our corporate customers:

Credit Rating	Creditworthiness	Qualification of Management	Competitiveness of Main Business	Growth Prospects of Main Business	Debt Repayment Ability	Value to Our Business
AAA	Excellent	Excellent	Extremely Strong	Good	Extremely Strong	Highly Valuable
AA+	Good	Good	Very Strong	Fair	Strong	Valuable
AA	Good	Good	Fairly Strong	Fair	Fairly Strong	Valuable
AA-	Good	Good	Some Competitiveness	Some Growth Prospects	Somewhat Assured	Valuable
A+	Fair	Fair	Competitive	Somewhat Uncertain	Assured	Some Value
A	Fair	Fair	Some Competitiveness	Uncertain	Somewhat Assured	Some Value
A-	Fair	Fair	Some Competitiveness	Clearly Uncertain	Somewhat Assured	Some Value
BBB	Average	Average	Average	Average	Average	Average
BB	Average	Average	Fairly Weak	Fairly Poor	Fairly Weak	Average
B	Average	Average	Fairly Weak	Poor	Weak	Not High
CCC	Problematic	Average	Fairly Weak		Weak	Fairly Low
CC	Fairly Poor	Fairly Poor	Weak		Weak	Low
C	Poor	Poor	Extremely Weak		Extremely Weak	Extremely Low
D	In Default at the Time of the Rating					

Our credit rating system utilizes different scoring methods according to the types of companies and the industries in which they operate. We currently have five basic credit rating models and two special rating models based on the types of corporate customers, including large- and medium-sized corporations, small enterprises, public institutions, guarantee companies and financial institutions. We have 22 different industry-specific models within the five basic models. For example, our basic credit rating model for large- and medium-sized corporate customers consists of 14 industry-specific models.

We generally re-rate each customer and guarantor on an annual basis. We may also re-rate a customer or guarantor when there is a material change in general macroeconomic conditions, industry environment, or such customer's or guarantor's business operations and debt repayment history that could negatively impact such customer's or guarantor's debt repayment ability or creditworthiness.

Collateral Appraisal

For secured loans, we generally require the value of collateral to be determined by third-party appraisers approved by us. Secured loans are generally subject to loan-to-value ratio limits based on the type of collateral. The maximum loan-to-value ratios of our principal types of collateral for corporate loans are as follows:

Types of Collateral	General Maximum Loan-to-Value Ratio
RMB deposit receipts, bank notes, PRC treasury bonds	90%
Debt securities issued by financial institutions	80%
Construction land use rights	70%
Commercial buildings and residential buildings	70%
Office buildings	60%
Commodity warehouse receipts	60%

We generally require regular re-appraisal of collaterals. In respect of guarantees provided by third-party guarantors, we evaluate the guarantor's financial condition, credit history and ability to meet its obligations according to the same procedures and criteria we use for evaluating the loan applicant.

Credit Review and Approval

Our credit assessment department commences its credit review upon receiving required documents, such as the loan application and the pre-loan evaluation report. The process begins with a compliance review of the application, followed by a detailed analysis of the major risks of the loan and remedial measures, in view of the regulatory requirements and our internal policies. In particular, our reviewers consider the following aspects of the application:

- whether the applicant meets our basic requirements;
- whether the loan amount is appropriate;
- the applicant's operating capabilities and debt repayment ability;
- the potential risks of the loan and the availability of remedial measures;
- the qualification and repayment ability of the guarantor; and
- the sufficiency and liquidity of the collateral.

After considering the above factors, the credit reviewers will report to the appropriate approving body for corporate loans with respect to the amount, tenor, interest rate, guarantee and repayment method of the loan.

Fund Disbursement and Post-disbursement Management

Fund Disbursement

Once a corporate loan application is approved, we will enter into a standard loan agreement and ancillary agreements with the borrower, which stipulate the key terms of the loan, including amount, duration, interest rate, use of funds and repayment method. Our relevant branch and sub-branch will review the loan agreement and other required disbursement documents to ensure that the documents have been validly authorized and properly completed before submitting the same to the disbursement department. The disbursement department authorizes the fund disbursement after confirming that all conditions for disbursement have been satisfied.

Post-disbursement Management

Our post-disbursement management primarily consists of fund disbursement monitoring, post-disbursement inspection, risk monitoring and alert, collateral management, loan risk classification, overdue loan management, non-performing loan management and post-disbursement management reporting.

Once we disburse funds to loan applicants, we closely monitor the use of the funds to ensure that the funds are being used according to the loan agreement.

We conduct regular and special reviews of the status of our borrowers. During regular onsite visits, we interview the senior management of the borrower, inspect inventories and operating facilities and review management accounts. The frequency of our subsequent post-disbursement inspections varies depending on the classification of loans. For loans classified as special mention or substandard, the frequency of our on-site inspection is no more than 60 days. We conduct special risk inspection and take risk mitigating measures upon discovery of significant risks in the borrower's industry, material adverse changes in the borrower's business, or other risk alerts during our on-site or off-site inspections. We also perform circumstantial investigations based on publicly available information and information from the PBOC's credit system.

To detect and mitigate credit risks at an early stage, we have formulated risk alert measures and established risk alert mechanisms for our corporate loans at both our head office and our branches. We classify credit risk alerts into three levels, namely, low risk (yellow warning), medium risk (orange warning) and high risk (red warning). Upon receipt of a risk alert, the risk management department at the relevant branch will determine the level of risk, report to the risk management department at our head office pursuant to its authorization and take appropriate mitigating measures. Our head office will issue a risk alert notice to the relevant branch and provides advice on mitigating measures when identifying problematic loans.

With respect to collateral management, we have standardized our collateral management process and system, enhanced the management of third-party appraisers and improved the documentation of collateral. Our relevant business department records the collateral in our centralized credit management system. Our risk management department will require the relevant business department to promptly dispose of the collateral or request additional collateral when it detects signs of damage or devaluation of the collateral.

Loan classification is an important part of our ongoing loan monitoring. Based on the five-category loan classification (normal, special mention, substandard, doubtful and loss) as required by the CBRC, we further classify our corporate loans into 12 categories, which include four categories of normal loans, three categories of special mention loans, two categories of substandard loans, two categories of doubtful loans and one category of loss loans. We consider the loans in the substandard, doubtful and loss categories as non-performing loans. The factors we consider when classifying our loans include the borrower's repayment ability, guarantees, collateral and the length of any prior payment default. We report our five-category loan classification data to the CBRC on a monthly basis.

We conduct on-site or off-site inspections of borrowers before maturities of the loans to evaluate their repayment ability and repayment intention and determine the possibility of their timely repayment. We remind borrowers of making timely payments through telephone interviews, on-site visits and written notices. We take appropriate risk prevention measures for those whose repayment ability and repayment intention is in question.

We proactively manage non-performing loans to reduce our credit risk and improve our collection abilities. We formulate strategies and disposal plans for each non-performing loan. We seek to collect our non-performing loans through multiple means, including cash collection, foreclosure on collateral, legal proceedings, loan restructuring and write-off of doubtful debt.

We have established a post-disbursement management reporting system, which requires each branch to report the results of its post-disbursement inspections to our head office on a quarterly basis.

Credit Risk Management for Retail loans

Loan Applications and Pre-loan Review

When we receive a retail loan application, our retail loan department of the relevant branch or sub-branch will initiate the credit extension process by interviewing applicants and conducting onsite investigation. An applicant must provide certain required documents to support his or her loan application, such as personal identification card, employment letter and proof of income. Based on the result of the pre-approval investigation, a loan officer will prepare a credit evaluation report and submit the application package to appropriate reviewers for review.

Credit Review and Approval

Retail loan reviewers review the completeness of the application package and the applicant's risk profile. The reviewers assess the credit risk associated with a retail loan based on a number of factors, including the applicant's income, creditworthiness, marital status, net worth and sources of funding for repayment, the value of collateral (if any) and the purposes of the loan. Based on the foregoing analysis, the reviewers determine the key terms of the loan such as amount and interest rate. Applications for large loans or loans involving high risks need to be reviewed and approved by the credit assessment department of our head office or other authorized reviewers at our head office. Once an application is approved, our relevant branch or sub-branch will enter into a standard retail loan agreement with the customer and coordinate with the customer to properly register any collateral for the loan.

We have developed a customer credit rating system, under which we classify our retail customers into eight credit levels based on multiple metrics, including customer background, repayment ability, income, creditworthiness and prior business relationships with us. The following table sets forth our eight-level credit rating system for retail loan applicants:

Credit Rating	Credit Score	Description
A1	90-100	Very good credit; very high income; very high value to our business
A2	80-89	Good credit; high income; high value to our business
A3	70-79	Relatively good credit; relatively high income; relatively high value to our business
B1	60-69	Medium credit, medium income; some value to our business
B2	50-59	Medium credit; medium income
C1	40-49	Relatively poor credit; relatively low income
C2	0-39	Poor credit; low income
D	N/A	Customers with history of default

To improve our measurement and management of personal credit assets, we began to develop our retail credit risk internal rating system in 2012 in accordance with the requirements of Basel II. We completed the development of credit scoring models and the classification of retail assets in 2012 for four categories of products, namely, residential mortgage loans, personal automobile loans, personal business loans and credit cards. We will continue to use the internal rating results of retail loan assets as an important basis for our business decisions throughout the retail loan management process, including customer approval, credit review and approval, post-disbursement management, risk management and capital allocation.

Loan Disbursement and Post-disbursement Management

The disbursement procedures for retail loans are similar to those for corporate loans. Our disbursement department, whose operations are entirely independent from the loan assessment process, reviews loan documents to ensure that all the conditions for disbursement have been satisfied. Our accounting department disburses the funds according to the loan agreement and opinions from our disbursement department. We strictly control the use of funds by closely monitoring the actual use of the funds, tracking and inspecting the funds on a regular basis and keeping close contact with the borrower.

We have established an asset quality and risk monitoring system for our retail loan portfolio. The method and frequency of our retail loan monitoring vary according to the nature of the loan and the associated risk exposure. In particular, we conduct regular and special reviews of the financial status of borrowers and guarantors and the value of collateral. We also monitor the source of funds for repayment and focus on material changes in the financial condition of borrowers.

For overdue retail loans, we investigate the reason for default by calling or meeting the borrower or carrying out on-site inspections. If we identify potential default risk, we promptly issue a risk alert and increase the frequency of our post-disbursement inspections. We may stop the disbursement of fund or ask for additional collateral if we think the risk of default is significant. In addition, we undertake a variety of actions to reduce our losses from loan default, such as sending default and collection notices or initiating legal proceedings when necessary.

Credit Risk Management for Credit Cards

We have established a basic risk management system to prevent, monitor and handle risks associated with credit cards. We have also formulated a series of rules and policies in connection with the sales and marketing of credit cards, the review and approval of credit card applications and the recovery of overdue repayments. To prevent fraudulent applications, we conduct personal interview of the applicant upon receipt of a credit card application. We assess applicants' income, employment and creditworthiness with advanced tools such as credit card application scoring model, strictly review applicants' credit profile and grant reasonable credit lines based on our review and analysis. We have established a 24-hour authorization mechanism to enhance the monitoring of credit card transactions. In addition, we have launched a credit card transaction monitoring system to identify suspicious transactions, promptly take effective preventive measures and enhance risk alert management. To enhance the management of overdue credit card repayments, we have established a three-tier coordinated management mechanism at our head office, branches and sub-branches to recover overdue repayments through phone calls, letters, on-site visits or legal proceedings, depending on the risk profile of the cardholders.

Credit Risk Management for Treasury Operations

Our treasury operations include investments in treasury bonds, bonds issued by financial institutions, corporate bonds and other types of securities. We conduct credit risk management of our treasury operations primarily through managing credit ratings and credit lines for counterparties, post-disbursement management and risk appraisal. We assign an aggregate credit limit for all the financial institutions and bond issuers. Our head office reviews our annual credit limits on financial institutions and bond issuers, determines the authorization limits of the relevant departments at our head office and branches, and adjust such authorization limits in response to changes in counterparty risk.

IT Systems for Credit Risk Management

We are committed to improving our risk management with advanced IT systems. We have upgraded and integrated our IT systems to enhance the collection and analysis of customer data, and have established an internal rating system for our corporate banking business and a risk limit management system to provide technical support for our credit risk management. Our corporate credit risk rating system utilizes risk measurement models to establish a risk data analysis platform, which measures the rating results of credit risk for our customers. It provides basis for making risk management-related decisions, and improves our operational efficiency for credit risk management. The risk limit management system measures, sets, monitors and issues alerts for the credit risk limits for our lending and treasury business based on a number of metrics, such as industries, regions, business lines, counterparties and products, controls the scale of our loan portfolio and treasury business and optimizes asset structure through credit limits. In addition, the periodical credit limit monitoring reports provide a basis for the formulation of our credit limit management strategies, our day-to-day monitoring of credit limits and our performance assessment.

To meet our evolving risk management requirements, we will continue to optimize and enhance our existing system functions and develop new systems.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss resulting from inadequate or problematic internal control procedures, from employees or information technology systems, or from external events. Our primary departments that are exposed to operational risk include our risk management department, human resource department, technology and information department and accounting department. Our risk management department is primarily responsible for formulating policies and procedures for operational risk management, establishing approaches for identifying, assessing, monitoring, controlling and reporting operational risks. Our relevant departments, including all business departments, our human resources department and technology and information department, are directly responsible for managing their own operational risk. They identify and assess their own operational risk using our standardized operational risk assessment methods, and establish and implement effective procedures for monitoring, controlling and reporting operational risk on an on-going basis.

We have established and implemented a system to monitor and report key operational risk indicators, which require each branch to collect, sort out and report relevant operational risk. Our branches and business lines are also required to designate specialists to monitor and evaluate operational risks. In addition, we periodically publish cases and provide training regarding operational risk management, to implement our risk management policies and guidelines across our branches, and facilitate communication and share information among our head office, branches and sub-branches. We supervise and evaluate the adequacy and effectiveness of our operational risk management on a regular basis.

To manage risks related to technology and information systems, we have adopted a number of security measures to strengthen information security and ensure the proper functioning of our information systems. Such measures include firewalls, data encryption and intrusion detection. We maintain real-time data backup for major information systems and communication networks and built an off-site disaster recovery center in Hangzhou, Zhejiang Province in 2009 to minimize risks from system failures.

MARKET RISK MANAGEMENT

Market risk is the risk of loss in on- and off-balance sheet positions arising from movements in market prices. We are exposed to market risk primarily through our banking portfolio and trading portfolio. The primary market risks associated with our banking portfolio are interest rate risk and exchange rate risk. The primary market risk associated with our trading portfolio is the fluctuation of market values of our trading positions, which are affected by movements in observable market variables such as interest rates and exchange rates. Historically, our exposure to material market risks was limited due to the supervision and regulation of interest rates and exchange rates by the PBOC. We expect to be subject to increasing levels of market risk as the PBOC continues to liberalize regulations governing interest and exchange rates and the financial service sector becomes more market-oriented in the PRC.

Our primary departments for market risk management include our financial planning department, risk management department, finance market department and international business department. The principal objective of our market risk management is to keep potential market losses within acceptable levels and enhance earnings stability through independent identification, assessment and monitoring of the market risks inherent to our day-to-day businesses. Our market risk management consists of the identification, measuring, monitoring and control of market risk. In measuring and monitoring market risk, we primarily employ sensitivity analysis, foreign currency exposure analysis, gap analysis, duration analysis, stress test and value-at-risk analysis. We also strictly apply authorization limits, which are determined based on factors such as our overall ability to bear market risk, product type and our business strategy. We set different exposure limits and employ different quantitative measures to manage the different types of market risk in our trading book and banking book. We also continually enhance our treasury operations risk management system, adjust relevant risk parameters and refine our risk measurement model in accordance with regulatory requirements.

Market Risk Management for the Banking Book

Interest Rate Risk Management

Interest rate risk is the exposure of a bank's financial condition to adverse movements in interest rates. Our primary source of interest rate risk is the mismatch in repricing periods of our on- and off-balance sheet assets and liabilities. Maturity or repricing date mismatches may cause changes in net interest income due to fluctuations of the prevailing interest rates. We are exposed to interest rate risk through our day-to-day lending and deposit-taking activities and our treasury operations.

We manage the interest rate risk exposure of our RMB-denominated assets and liabilities on our balance sheet primarily through adjusting the interest rate and managing maturity profile. We perform duration analysis on debt instruments in our investment portfolio to assess the potential price volatility of a bond by measuring its sensitivity to interest rate fluctuations. We use interest rate sensitivity analysis, stress tests and scenario analysis to measure exposures to potential interest rate changes in our investment portfolio.

Exchange Rate Risk Management

Exchange rate risk primarily arises from mismatches in the currency denomination of our on- and off-balance sheet assets and liabilities and mismatches in the currency positions of our foreign currency transactions. We seek to manage the exchange rate risk resulting from mismatches in our assets and liabilities by matching the source and use of our 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 try to reduce the number of transactions with high exchange rate risk, monitor significant indicators in a real-time manner, and inspect the position of major foreign currencies on a daily basis to manage the exchange rate risk resulting from mismatches in the currency position of our foreign currency transactions.

Market Risk Management for the Trading Book

Market risk in our trading book primarily comes from fluctuations in the value of our financial instruments on the trading book due to changes in exchange rates and interest rates. We employ a number of risk management techniques to monitor and control the market risks of our treasury operations. We monitor and manage open positions, stop-loss limits and value-at-risk of our trading book on a daily basis. To better prevent market risk of our trading book, we introduced a market risk management system (Opics Risk Plus) in November 2009 to enhance our market risk measurement methods. We analyze our potential market risk through various methods, including liquidity analysis, sensibility analysis, scenario analysis and value-at-risk analysis, to enhance our risk measurement and control capability and effectively mitigate the potential losses from interest rate and exchange rate fluctuation. We also conduct sensitivity tests on a quarterly basis and stress tests for our treasury operations on a semiannual basis. Our audit department conducts regular audits on the implementation of our internal procedures for managing our trading book in accordance with applicable regulations and our internal policies.

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk of failing to liquidate a position in a timely manner to acquire sufficient funds 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 banking industry policies, such as changes in the requirements relating to loan-to-deposit ratio and statutory deposit reserve ratio. We are exposed to liquidity risk primarily in the funding of our lending, trading and investment activities, as well as in the management of our cash flow positions. The objective of our liquidity risk management is to ensure the availability of adequate funding at all times to meet our payment obligations and fund our lending and investment operations on a timely basis.

The risk management committee of our board of directors and the asset and liability management committee and the risk management and internal control committee at our senior management level are collectively responsible for establishing policies and strategies relating to our overall management of liquidity risk. Our board of supervisors is responsible for overseeing the implementation of these policies by our financial planning department and relevant business departments.

When developing our liquidity risk management strategy, we consider a number of factors, including our financial position, business development plans, market conditions and the convertibility of currencies. We also seek to achieve an optimal return while balancing our liquidity and other needs. We have implemented various measures to control liquidity risk, such as:

- improving liquidity management measures and contingency plans;
- continuing to enhance our asset and liability management system and stress test system;
- monitoring liquidity ratios in compliance with regulatory and internal requirements; and
- preparing regular maturity gap analyses to enable management to review and monitor our liquidity position on a timely basis.

We conduct stress tests on a quarterly basis to analyze our liquidity risk, and have developed contingency plans to ensure the availability of adequate liquidity under a variety of market conditions. We have also established emergency groups at our head office, branches and sub-branches to handle liquidity-related emergencies. The group consists of our president as the head of the group, a vice president, and the supervisors of relevant departments of our head office, including the financial planning department, the office, the risk management department, the operations management department and the compliance department. The group organizes various departments to handle liquidity-related emergencies by implementing the following measures:

- establishing forecast and early warning mechanisms for liquidity-related emergencies and improving daily monitoring and analysis of liquidity risk limits;
- promptly determining the nature, potential risk and controllability of a liquidity emergency, implementing contingency plans on a timely basis, and taking immediate actions within its authority;
- reducing the impact of the events and restoring ordinary business operations in a timely manner, and monitoring relevant risk factors on an on-going basis to prevent future occurrence of similar events.

The New Capital Adequacy Regulations (Provisional), which were promulgated by the CBRC based on the Basel III, set out more stringent requirements on the capital adequacy ratio and liquidity of commercial banks. In response, we have established a dedicated steering group and organized relevant departments to establish a focus team to coordinate the implementation of the new regulatory standards. Moreover, we have developed plans to implement the new regulatory standards, analyzed the possible effects of the new standards on us, and formulated concrete measures to implement the new standards, which include continuously providing capital management-related training programs and strengthening the monitoring of the uses of capital.

REPUTATIONAL RISK MANAGEMENT

Reputational risk is the risk of negative publicity caused by our operations, management or other activities or external events. The offices of our head office and branches are responsible for managing our public relations and monitoring, reporting and handling incidents that may affect our reputation. We have formulated reputational risk management policies and guidelines to streamline the identification, reporting and management of significant reputational incidents. We have also established a reputational risk emergency control steering group at our head office to guide and coordinate various departments' to handle reputational risk-related emergencies, and to decide whether to launch reputational risk emergency plans based on the nature and severity of the incidents. The steering group comprises our president as the head of the group, president of the relevant outlet as the deputy head and supervisors of relevant departments of our head office, including the office of the board of directors and the board of supervisors, the office of our head office, the risk management department and the compliance department. In addition, we closely monitor and promptly deal with negative reputational incidents, and strengthen our efforts to communicate with news agencies and other media.

LEGAL AND COMPLIANCE RISK MANAGEMENT

Legal and compliance risk refers to the risk of potential legal sanctions, regulatory penalties, significant financial losses and reputational harm resulting from failure to comply with applicable laws and regulations. Our compliance department is in charge of managing our legal and compliance risks, and coordinating the establishment of our internal control system. To strengthen our legal and compliance management capabilities, we have established, and will continue to strengthen, our bank-wide compliance management framework. We periodically review applicable rules and regulations and compile separate catalogs of effective and repealed rules and regulations. We also conduct compliance review of our internal rules and legal documents on a regular basis, and provide legal advice with respect to the research and development of new financial products or businesses.

Anti-Money Laundering

We have formulated comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and other applicable regulations promulgated by 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, review 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. Our anti-money laundering steering group at the senior management level leads and coordinates our bank-wide anti-money laundering efforts. See "—Risk Management Structure—Senior Management and Special Committees." Our compliance department is responsible for the day-to-day management of our anti-money laundering work. The head of our anti-money laundering team in our compliance department has extensive experience in the banking industry and in-depth knowledge in anti-money laundering laws and regulations. He has 13 years of experience working at banks in Anhui, including our bank and our predecessor, Hefei City Commercial Bank Corporation Limited, holding several positions in compliance, accounting, deposit taking and technology.

We regard anti-money laundering as an important aspect of legal and compliance risk management. We provide on-going training to our employees on the importance of preventing money-laundering activities. In addition to live and video training programs, we also invite anti-money laundering specialists from the PBOC and our key anti-money laundering personnel to give presentations on new laws and regulations and our bank's rules and procedures with respect to anti-money laundering. We also organize various branch-level anti-money laundering activities, such as quiz, speech contests and writing contests, to promote anti-money laundering at our branches.

In recent years, we have taken the following initiatives to improve our anti-money laundering management:

- developing and refining a "risk-cautious, customer-centered and procedure-streamlined" anti-money laundering risk control system and formulating internal control rules on anti-money laundering;
- improving anti-money laundering mechanism and defining duties, responsibilities and working procedures for anti-money laundering efforts;
- establishing a risk assessment indicator system to assess risks relating to money laundering products and customers, and strengthening risk control measures for businesses and customers with high risks;
- strengthening customer identification and the record-keeping of our customers' identities and transactions;
- enhancing the screening, identification and reporting of suspicious transactions;
- establishing and upgrading anti-money laundering information systems in line with the changing regulatory policies;
- collecting and processing anti-money laundering information to provide prompt risk alerts and updates;
- analyzing money laundering cases, summarizing money laundering risk characteristics and formulating guidelines for analyzing suspicious transactions;
- providing anti-money laundering training and related performance assessment, and enhancing employee admission procedures for anti-money laundering positions; and
- organizing reviews, examinations and internal assessment relating to anti-money laundering.

INTERNAL AUDIT

We believe internal audit is essential to our stable operations and sustainable development. We have established an independent vertical internal audit system. The internal audit committee of our board of directors inspects, oversees and evaluates our overall internal audit work. The senior manager designated by the board of directors guides our internal audit and directly reports to the board of directors. The audit department at our head office, together with audit teams established in accordance with our business development requirements, performs audits on our operations and management.

We have formulated a series of internal audit rules and policies, including the internal audit charters, specific guidelines and accountability measures for internal auditors. Such rules clearly set forth the principles, departments, personnel, duties, authorities, procedures and responsibilities for our internal audit.

We review, evaluate and improve our operation, risk management, internal control and corporate governance through systematic and standardized internal audit methods. Our internal audit complies with principles of independence, objectivity, prudence, efficiency, importance and relevance. The primary objectives of our internal audit are to ensure our compliance with applicable laws and regulations, keep risks within the levels set by our board of directors and improve our operations.

We conduct audits through on-site audits, off-site audits and audit investigations. Our audit procedures consist of audit planning, preparing, deposition, reporting and subsequent audit.

The audit department formulates mid- and long-term audit plans and annual audit plans, which are implemented upon the approval by the board of directors. Based on the approved audit plans, the audit department selects appropriate audit methods and forms, formulates appropriate audit plans and working procedures, utilizes advanced audit methods and instruments and clarifies the responsibilities of audit staff to ensure that our internal audit functions are carried out in a proper and orderly manner.

The audit department is required to truthfully identify problems discovered during the audit process, prepare objective audit reports with audit analysis, audit evaluation, proposals and other audit information, and submit these reports to the senior manager designated by the board of directors and the chairman of the board. Once approved, the audit reports will be submitted to the chairman of the supervisory committee, the president and the audit objects in accordance with audit procedures. The audit department reports to the audit committee on a regular basis. The designated senior manager in charge of internal audit regularly reports the status of audit to the board of directors. Audit reports are submitted to the senior management and the board of supervisors simultaneously. The audit department submits audit reports and other reports to regulatory authorities upon request.

The audit department conducts subsequent audits on completed audit projects to ensure that the audit objects have taken proper and effective corrective measures to solve the issues identified during audits in response to audit suggestions.

OVERVIEW

Our Board currently consists of 15 Directors, of whom five are executive Directors, five are non-executive Directors and five are independent non-executive Directors. The Directors are appointed by our Shareholders for a term of three years, and may be appointed for consecutive terms. However, the term of an independent non-executive Director shall not exceed six years according to our Articles.

Our Board of Supervisors currently consists of nine Supervisors, of whom three are external Supervisors, three are Shareholder representative Supervisors and three are employee representative Supervisors. The current Supervisors (other than our employee representative Supervisors) were appointed by our Shareholders and the current employee representative Supervisors were appointed by the representatives of our labor union. The Supervisors are appointed for a term of three years, and may be appointed for consecutive terms. However, the term of any external Supervisor shall not exceed six years according to our Articles.

Directors and Supervisors

The following table sets out information regarding our Directors and Supervisors. Each of the Directors and the Supervisors satisfies the qualification requirements under relevant PRC laws and regulations for his or her positions.

Directors

Name	Age	Position	Appointment Date	Responsibilities
Mr. Li Hongming (李宏鳴)	56	chairman, executive Director	July 2013	Developing our business strategy and making major business decisions
Ms. Xu Demei (許德美)	56	vice chairman, executive Director	December 2005	Assisting the chairman in developing our business strategy and making major business decisions
Mr. Wu Xuemin (吳學民)	45	executive Director, president	October 2010[1]	Taking charge of overall corporate affairs, and managing the human resources department
Mr. Zhang Renfu (張仁付)	51	executive Director	December 2005	Managing the general office, the compliance department, the security department, the CPC matters department, the infrastructures construction office, and liaising with the audit department
Mr. Ci Yaping (慈亞平)	54	executive Director, vice president	December 2005[2]	Managing the financial planning department, the credit review department, the risk management department, the research and development department, and liaising the office of the Board and the office of the Board of Supervisors

Name	Age	Position	Appointment Date	Responsibilities
Mr. Zhang Feifei (張飛飛)	54	non-executive Director	April 2012	Participating in the development of our business strategies
Mr. Qian Zheng (錢正)	60	non-executive Director	December 2009	Same as above
Mr. Guo Shigang (過仕剛)	57	non-executive Director	December 2009	Same as above
Mr. Wu Tian (吳天)	49	non-executive Director	December 2009	Same as above
Mr. Gao Yang (高央)	47	non-executive Director	December 2009	Same as above
Mr. Au Ngai Daniel (歐巍)	45	independent non-executive Director	July 2013	Participating in making major business decisions and advising on issues relating to our corporate governance, connected transactions, audit, and remuneration of the Directors, the Supervisors and the senior management
Mr. Dai Genyou (戴根有)	63	independent non-executive Director	October 2010	Same as above
Mr. Wang Shihao (王世豪)	63	independent non-executive Director	October 2011	Same as above
Mr. Zhang Shenghuai (張聖懷)	51	independent non-executive Director	October 2011	Same as above
Mr. Wen Jinghui (溫京輝)	43	independent non-executive Director	October 2011	Same as above

Notes:

(1) Mr. Wu Xuemin has been an executive Director of our Bank since October 2010, and has been serving as the president of the Bank since November 2010.

(2) Mr. Ci Yaping was an executive Director of our Bank from December 2005 to November 2009 and has been re-appointed as an executive Director of our Bank since May 2011. He has been a vice president of our Bank since December 2005.

Supervisors

Our Supervisors are responsible for overseeing our Board of Directors and senior management in discharging their responsibilities and reviewing financial statements.

Name	Age	Position	Appointment Date	Responsibilities
Mr. Zhang Zhen (張震)	58	chairman of the Board of Supervisors, employee representative Supervisor	December 2005	Taking charge of the work of the Board of Supervisors, and supervising our operational and financial activities
Mr. Xu Chongding (許崇定)	55	employee representative Supervisor, chairman of labor union	April 2011	Supervising our operational and financial activities on behalf of our employees, and taking charge of any activities of the trade union

Name	Age	Position	Appointment Date	Responsibilities
Mr. He Tao (何濤)	44	employee representative Supervisor, deputy general manager of the compliance department	July 2013	Supervising our operational and financial activities on behalf of our employees, and taking charge of the work of the compliance department
Mr. Cheng Rulin (程儒林)	50	shareholder representative Supervisor	July 2013	Supervising our operational and financial activities on behalf of our shareholders
Mr. Wu Guozhong (吳國忠)	49	shareholder representative Supervisor	December 2009	Same as above
Mr. Cheng Hong (程宏)	47	shareholder representative Supervisor	December 2009	Same as above
Ms. Cheng Junpei (程俊佩)	50	external Supervisor	December 2009	Supervising our operational and financial activities
Mr. Fan Libo (范黎波)	49	external Supervisor	December 2009	Same as above
Ms. Pan Shujuan (潘淑娟)	58	external Supervisor	July 2013	Same as above

Directors

Executive Directors

Mr. Li Hongming is an executive Director and chairman of our Bank. Mr. Li joined us in July 2013 as an executive Director and chairman. Mr. Li's primary working experiences include: the first class inspector and then deputy head of the policy research division under the policy research office of the Anhui Provincial CPC Committee from October 1991 to January 1993, deputy head of the production system division and head of the enterprises system division of the Anhui Provincial System Reform Commission from January 1993 to November 1995, deputy director and director of the Development Research Center of Anhui Provincial Government from November 1995 to February 2001, deputy secretary-general of the Anhui Provincial Committee of CPC and director of its policy research office from April 2001 to June 2003, deputy secretary of the Huangshan Municipal CPC Committee, mayor and secretary of the CPC Committee of Huangshan Municipal Government, director of the Management Committee of Huangshan Scenic District from September 2003 to February 2008, secretary of the Suzhou Municipal Committee of CPC from February 2008 to June 2013, director of the Standing Committee of the Suzhou Municipal People's Congress from February 2009 to June 2013, and the first secretary of the Party Working Committee of Suzhou Ma'anshan Modern Industrial Park from July 2012 to June 2013. Mr. Li obtained a bachelor's degree in automation from Hefei University of Technology in January 1982, graduated in September 1990 from a research master's degree program in principles of Marxism as offered by the University of Science and Technology of China, and studied in the University of Maryland in the United States of America as a visiting scholar from February 1998 to August 1998.

Ms. Xu Demei is an executive Director and a vice chairman of our Bank. Ms. Xu joined us in December 2005 as a vice chairman and an executive Director. Ms. Xu has over 35 years' working experience in the financial industry. Her primary working experience include: vice president of Fanchang County Sub-branch of Agricultural Bank of China from April 1984 to March 1992, president of Fanchang County Sub-branch of Agricultural Bank of China from March 1992 to May 1993, vice president of Wuhu Branch of Agricultural Bank of China from May 1993 to April 1998, vice president of the Ma'anshan Branch of Agricultural Bank of China from April 1998 to November 1998, chairman of the board of directors and president of Ma'anshan City Commercial Bank from November 1998 to December 2005, and vice secretary-general of the Ma'anshan Municipal People's Government from October 2005 to December 2006. Ms. Xu obtained a bachelor's degree in economic management from the Correspondence College of Party School of the Central Committee of CPC in December 1997. Ms. Xu obtained the qualification of senior economist from Ma'anshan Municipal Economic Society of Anhui Provincial Economic Society in August 1999.

Mr. Wu Xuemin is an executive Director and president of our Bank. Mr. Wu joined us in October 2010 as our executive Director and has been serving as our president and an executive Director since November 2010. Mr. Wu has over 17 years' working experience in the financial industry. His primary working experience include: deputy director of the newspaper and theories department of China Construction Bank from July 1996 to July 2002, deputy director of the office of the board of directors and the administrative office of China UnionPay Co., Ltd. from July 2002 to May 2006, general manager of the Anhui Branch of China UnionPay Co., Ltd. from May 2006 to February 2010, general manager of the strategic development department as well as the legal and compliance department of China UnionPay Co., Ltd. from February 2010 to September 2010. Mr. Wu obtained a bachelor's degree in metal materials and heat treatment from Harbin Institute of Technology in July 1990, a master's degree in economics from Renmin University of China in January 2001 and a master of business administration degree for senior management from Fudan University in January 2005.

Mr. Zhang Renfu is an executive Director of our Bank. Mr. Zhang joined us in December 2005 as an executive Director. His primary working experience include: deputy director of the liaison division of the general office of Anhui Provincial Government from September 1995 to August 1998, researcher at the third division of the secretariat of the general office of Anhui Provincial Government from August 1998 to February 2001, deputy director of the fifth division of the general office of Anhui Provincial Government from February 2001 to May 2003, deputy director of the secretariat and then deputy director of the second division of the secretariat of the general office of Anhui Provincial Government from May 2003 to May 2005, the deputy director in charge of the work of the finance office of Anhui Provincial Government from May 2005 to December 2005. Mr. Zhang obtained a bachelor's degree in history from Xiamen University in July 1983 and a master of laws degree in party history from Renmin University of China in July 1988, and obtained the qualification of senior economist as accredited by the Department of Personnel of Anhui Province in November 2007.

Mr. Ci Yaping is an executive Director and vice president of our Bank. Mr. Ci joined us in December 2005 and has been our vice president ever since. He was an executive Director of our Bank from December 2005 to November 2009 and has been re-appointed as an executive Director of the Bank since May 2011. Mr. Ci has over 33 years' working experience in the financial industry. His primary working experience include: vice president of Anqing Branch of the Bank of Communications from July 1994 to February 1997, chairman of the board of directors and president of Anqing City Commercial Bank from February 1997 to December 2005. Mr. Ci graduated from the Correspondence College of Party School of the Anhui Provincial Committee of CPC in December 1997 with a bachelor's degree in economic management, and obtained the qualification of economist from Anhui Branch of Industrial and Commercial Bank of China Limited in December 1990.

Non-executive Directors

Mr. Zhang Feifei is a non-executive Director of our Bank. Mr. Zhang joined us in April 2012 as our non-executive Director. Mr. Zhang has over 30 years' working experience as governmental officers. His primary working experiences include: deputy director and then director of Anhui Provincial System Reform Commission from December 1984 to February 1997, mayor of Feixi County, Anhui Province from February 1997 to October 1998, deputy mayor, member of the standing committee of the government and then first deputy mayor of Huaibei, Anhui Province from October 1998 to June 2007, member of the standing committee of the government, first deputy mayor and then mayor of Chaohu, Anhui Province from June 2007 to August 2011, chairman of the board of directors of Anhui Energy Group Co., Ltd. since October 2011, chairman of the board of directors of Anhui Province Wenergy Company Limited, an electricity producers listed on Shenzshen Stock Exchange since December 2011, and director of Guoyuan Securities Company Limited, a shareholder of our Bank and a financial service institution listed on Shenzhen Stock Exchange, since April 2012. Mr. Zhang obtained a bachelor's degree in economics from Anhui University in July 1982 and a master's degree in management from University of Science and Technology of China in June 2009.

Mr. Qian Zheng is a non-executive Director of our Bank. Mr. Qian joined us in December 2009 as a non-executive Director. Mr. Qian has over 20 years' working experience in the financial industry. His primary working experiences include: secretary and section chief of the general office of Anhui CPC Committee from August 1982 to December 1985, deputy director and then director of the general office of Anhui People's Congress from December 1985 to May 1993, deputy general manager of Anhui Trust and Investment Company from May 1993 to September 1996, chairman of the board of directors of Anhui Innovation and Investment Company from November 2000 to October 2008 and general manager of Anhui Credit Guaranty Group Co., Ltd. since October 2008. Mr. Qian obtained a bachelor's degree in economics from Anhui University in August 1982. Mr. Qian obtained the qualification of senior economist from the Review Committee for Senior Economist of Anhui Province in May 1996.

Mr. Guo Shigang is a non-executive Director of our Bank. Mr. Guo joined us in December 2009 as a non-executive Director. Mr. Guo has over 18 years' working experience in the financial industry. His primary working experiences include: staff of the policy research division of the policy research office, secretary of the secretariat of the administrative office and then inspector (at deputy) of the integrated division of the administrative office of Anhui CPC Committee from January 1982 to July 1992, secretary to the secretary-general of Anhui CPC Committee from July 1992 to May 1995, assistant to the general manager and then deputy general manager of Anhui International Trust and Investment (Group) Co., Ltd. from May 1995 to May 2001, deputy general manager of Anhui Guoyuan Holding (Group) Co., Ltd. (a shareholder of our Bank) and general manager and chairman of the board of Anhui Guoyuan Trust and Investment Co., Ltd. from May 2001 to September 2005, general manager of Anhui Huangshan (Hong Kong) Co., Ltd. from March 2001 to September 2005, general manager of Anhui Guoyuan Holding (Group) Co., Ltd. (a shareholder of our Bank) and chairman of the board of directors of Anhui Guoyuan Trust Co., Ltd. since September 2005. Mr. Guo obtained a bachelor's degree in literature from the Chinese Faculty of Anhui University in January 1982.

Mr. Wu Tian is a non-executive Director of our Bank. Mr. Wu joined us in December 2009 as a non-executive Director. His primary working experiences include: principal clerk of the second office, assistant researcher and researcher of the first division of the secretariat, director of the third department and deputy director (at director level) of the second division of the administrative office of the government of Anhui Province from September 1991 to April 2004, deputy general manager of Anhui Highway Company (a shareholder of our Bank) from April 2004 to July 2007, and deputy general manager and general counsel of that company from July 2007 and January 2010, deputy general manager and general counsel of Anhui Expressway Holding Group Co., Ltd. (formerly known as Anhui Highway Company) from January 2010 to May 2010, director, deputy general manager and general counsel of that company from May 2010 to November 2010, and director and general manager of that company since November 2010. Mr. Wu obtained a bachelor's degree in engineering from Anhui Institute of Technology in August 1985 and a master's degree in engineering from Zhejiang University in December 1995.

Mr. Gao Yang is a non-executive Director of our Bank. Mr. Gao joined us in December 2009 as a non-executive Director. His primary working experiences include: director of Beijing Automobile Investment Co., Ltd. since May 2003, chairman of the board of Zhongjing Industry (Group) Co., Ltd. since August 2006, chairman of the board of directors of China Strategic Holdings Limited (a company listed in the Hong Kong Stock Exchange and primarily engaged in the production and sale of battery products and the relevant accessories, and securities investment) from September 2006 to November 2007, director of Guilin Automobile Industrial Group Company Ltd. since April 2010, director of Beijing Automobile Co. Ltd. since September 2010, chairman of the board of directors of Zhongjing Sihai Company Ltd. since June 2011, director of Guosheng Huaxing Investment Company Ltd. since October 2011, director of Mudanjiang Futong Automotive Air Conditioning Co., Ltd since December 2012, and chairman of the board of directors of Guoshenghuaxing Investment Co., Ltd. since May 2013. Mr. Gao Yang studied hotel management at Meinl Vocational School in Vienna from March 1985 to March 1987 as an auditing student.

Independent Non-executive Directors

Mr. Au Ngai Daniel is an independent non-executive Director of our Bank. Mr. Au joined us in July 2013 as our independent non-executive Director. Mr. Au has over 20 years' working experience in financial investment industry. Mr. Au worked for A.T. Kearney Inc. in the United States and Bankers Trust Company. His other primary working experiences include: vice president, director, managing director and then partner of Newbridge Capital Limited from April 1995 to March 2006, during which he completed by far the only transaction in relation to a nation-wide Joint Stock Commercial Bank in which a foreign investor has a controlling interest in China, and served as a director of Shenzhen Development Bank Co., Ltd. (currently known as PingAn Bank Co., Ltd.), a nation-wide Joint Stock Commercial Bank listed on the Shenzhen Stock Exchange, from December 2004 to December 2007. Mr. Au was involved in the establishment of the Bohai Industrial Investment Fund, the first private equity fund in China in April 2006 and was the chief executive officer of that fund until August 2008. He established Star Capital Partners Limited in March 2010, which is engaged in businesses such as fund management and financial advisory services for financing and merger and acquisition. Mr. Au obtained a Master in Business Administration from McGill University in Canada in June 1993.

Mr. Dai Genyou is an independent non-executive Director of our Bank. Mr. Dai joined us in October 2010 as our independent non-executive Director. Mr. Dai has over 38 years' working experience in the financial industry, including over 25 years of experience in management. His primary working experiences include: vice president of Anqing Branch of the PBOC, and then division head of the first economic analysis division of investigation and research office of the PBOC, and then division head of the economic analysis division and then the deputy director of investigation and statistics department of the PBOC from October 1983 to February 1993. He worked at the finance and trade team of the office of the central leading group on financial and economical affairs of the PBOC from February 1993 to November 1997 and served as a deputy team leader since September 1994, and was concurrently a deputy director of investigation and statistics department of the PBOC. He was the director of the monetary policy department and secretary general of monetary policy committee of the PBOC from November 1997 to November 2003, director of the credit management department of the PBOC from November 2003 to April 2007 and director of the credit management center of the PBOC from April 2004 to March 2010. Mr. Dai has been an independent non-executive director of Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. (a company listed on the Main Board of the Shanghai Stock Exchange, primarily engaged in the business of property development, operation and investment in the high technological industries) since April 2010. Mr. Dai obtained a bachelor's degree in political economy from Anhui Laodong University (the predecessor of Anhui University) in September 1977. Mr. Dai obtained the qualification of senior economist as accredited by PBOC in May 1989, and was honored as an expert with special allowances from the State Council in October 2000.

Mr. Wang Shihao is an independent non-executive Director of our Bank. Mr. Wang joined us in October 2011 as our independent non-executive Director. Mr. Wang has over 34 years' working experience in the financial industry. His primary working experiences include: clerk, chief, deputy director and director of Shanghai Branch of the PBOC from February 1979 to December 1990, director of Shanghai Urban Credit Cooperatives from February 1991 to December 1995, vice president of Shanghai Bank from December 1995 to August 2010, director of City Commercial Bank Clearing Centre since September 2002, visiting professor of National Accounting Institute, Shanghai Jiao Tong University, Fudan University and Shanghai University of Finance and Economics since July 2010, January 2011, June 2012 and May 2013, respectively, and a special expert for policy decision of Shanghai Government since March 2008. Mr. Wang has been an independent non-executive director of Shanghai Jinfeng Investment Co., Ltd, a company providing combined property services and listed on the Shanghai Stock Exchange, since May 2012. Mr. Wang graduated from Fudan University in July 1984 with a bachelor's degree in financial management, obtained a master's degree in economics from East China Normal University in February 1994, a master of business administration certificate jointly granted by Shanghai Jiao Tong University and Universität Konstanz in Germany in July 1998, as well as an executive master of business administration certificate from Shanghai National Accounting Institute and a master of business administration degree from The University of Arizona in the United States in June 2005. Mr. Wang obtained the qualification of senior economist as accredited by the Head Office of the PBOC in July 1993.

Mr. Zhang Shenghuai is an independent non-executive Director of our Bank. Mr. Zhang joined us in October 2011 as our independent non-executive Director. Mr. Zhang has over 16 years' working experience as a capital markets lawyer. His primary working experiences include: a senior partner of Beijing Tianyin Law Firm since December 2002, and commissioner of the ninth session of the Public Offering Review Committee of CSRC since May 2007. Mr. Zhang has also been an independent director of Beijing Haohua Energy Resources Co., Ltd., a coal mining company listed on the Main Board of Shanghai Stock Exchange since September 5, 2012 and an independent director of Beijing Trust & Far Technology Co., Ltd, an IT infrastructure and other service provider listed on the growth enterprises market of the Shenzhen Stock Exchange since December 27, 2012. Mr. Zhang obtained a bachelor's degree in law from Southwest University of Political Science and Law in July 1983, a master's degree in law from China University of Political Science and Law in July 1988, and doctoral degree of law from Renmin University of China in June 2006. Mr. Zhang obtained a lawyer's qualification from the Ministry of Justice of the People's Republic of China on June 2, 1997.

Mr. Wen Jinghui is an independent non-executive Director of our Bank. Mr. Wen joined us in October 2011 as our independent non-executive Director. Mr. Wen has over 20 years' working experience in the accounting industry. His primary working experiences include: director partner and deputy general manager of Reanda Certified Public Accountants since April 1998. Mr. Wen was also an independent director of Sinodata Co., Ltd. (a software developer listed on the Main Board of Shenzhen Stock Exchange) since July 2007, an independent director of Yonyou Software Co., Ltd. (a software and service provider listed on the Main Board of the Shanghai Stock Exchange) since February 2008, an independent director of Xinyu Iron & Steel Co., Ltd. (an iron and steel manufacturer listed on the Main Board of the Shanghai Stock Exchange) since February 2008, and an independent director of Jiangsu Wuzhong Industrial Co., Ltd. (a pharmaceutical company listed on the Main Board of Shanghai Stock Exchange) since May 2008. Mr. Wen obtained a bachelor's degree in management information system from School of Management of Beijing Institute of Technology in July 1993. Mr. Wen obtained the qualification of certified accountant from The Chinese Institute of Certified Public Accountants in December 1995.

Supervisors

Mr. Zhang Zhen is the chairman of our Board of Supervisors and an employee representative Supervisor. Mr. Zhang joined us in December 2005 as the chairman of our Board of Supervisors and an employee representative Supervisor. Mr. Zhang has over 33 years' working experience in the financial industry. His primary working experiences include: joined Sixian Sub-branch of Agricultural Bank of China as a credit clerk in December 1979; deputy division head of the planning division of Suxian District Branch of Agricultural Bank of China from May 1984 to December 1985, deputy head of the planning division of Suxian District Branch of the PBOC from December 1985 to July 1987, vice president of Suxian District Branch of the PBOC from August 1987 to March 1998, during which he was seconded to the Tibet Autonomous Region Branch of the PBOC as deputy director of its planning and saving department from August 1987 to August 1989 to support the construction of Tibet, vice president and then president of Huaibei Center Sub-branch of the PBOC from March 1998 to February 2002, director of the bank administration department of Hefei Center Sub-branch of the PBOC from February 2002 to October 2003, director of the ICBC supervision department of the CBRC Anhui Office from October 2003 to December 2004, and director of state-owned bank supervision division I of the CBRC Anhui Office from December 2004 to December 2005. Mr. Zhang obtained a bachelor's degree in economic management from the Correspondence College of Party School of the Central Committee of CPC in December 1997, the qualification of economist from Anhui Branch of the PBOC in December 1987 and the qualification of senior economist from PBOC's Head Office in November 1999.

Mr. Xu Chongding is an employee representative Supervisor and the chairman of labor union of our Bank. Mr. Xu joined us in February 1997 as the director of the personnel division of Hefei City United Bank. Mr. Xu has over 21 years' working experience in the financial industry. His primary working experiences include: director of the personnel division of Hefei City Commercial Bank Corporation Limited (known as Hefei City United Bank from April 1997 to July 1998) from February

1997 to December 2005, general manager of the human resources department of our Bank from December 2005 to May 2011, chairman of the labor union of our Bank and an employee representative Supervisor of our Bank since April 2011. Mr. Xu obtained a bachelor's degree in physical education from Anhui Normal University in December 1982.

Mr. He Tao is an employee representative Supervisor and deputy general manager in charge of the work of the compliance department of our Bank. Mr. He joined us in February 1997 as division head of the clearing division under the accounting department of Hefei City United Bank. Mr. He has over 21 years' working experience in the financial industry. His primary working experiences include: accountant of Hefei Science & Technology Development Experimental Bank from July 1992 to February 1997, division head of the clearing division of the accounting department of Hefei City Commercial Bank Corporation Limited (known as Hefei City United Bank from April 1997 to July 1998) from February 1997 to January 2001, vice president of Hupo Shanzhuang Sub-branch of Hefei City Commercial Bank Corporation Limited from January 2001 to May 2003, vice president and president of Daoxianglou Sub-branch of Hefei City Commercial Bank Corporation Limited from May 2003 to December 2005, president of Daoxianglou Sub-branch of Hefei Branch of our Bank from December 2005 to January 2007, assistant to the general manager of the business department of our Head Office from January 2007 to April 2008, vice president of Hefei Branch of our Bank from April 2008 to April 2012, deputy general manager of the corporate banking department of our Bank and general manager of our strategic customer center from April 2012 to June 2013, deputy general manager in charge of the work of the compliance department of our Bank since June 2013, and an employee representative supervisor of our Bank since July 2013. Mr. He obtained an associate's degree in finance and accounting from Anhui University in July 1992, a bachelor's degree in foreign economic from the Correspondence Institute of Party School of the Central Committee of CPC in December 1996, and a master's degree in economic management from the Correspondence Institute of Party School of the Central Committee of CPC in July 2009. Mr. He obtained the qualification of economist from the Ministry of Personnel of the People's Republic of China in November 1997.

Mr. Cheng Rulin is a shareholder representative Supervisor of our Bank. Mr. Cheng joined us in July 2013 as a shareholder representative Supervisor. His primary working experiences include: secretary of Hefei Municipal Government and secretary of the Standing Committee of Hefei Municipal Government from May 1991 to December 1996, editor of Hefei Political Newspaper from May 1991 to December 1996, assistant to the director and deputy director of the Liaison Office in Beijing of Hefei Municipal Government from December 1996 to February 2004, deputy director of the Key Project Office of Hefei Municipal Office from January 2000 to February 2004, deputy director of the Comprehensive Investigation and Research Department of the Economic Restructuring Office of the State Council from September 2001 to September 2002, vice president of Hefei Xingtai Holding Group Co., Ltd. from February 2004 to February 2013, chairman of Hefei Xingtai Assets Management Co., Ltd. since July 2008, chairman of Anhui Shares Exchange Co., Ltd. since January 2009, president of Hefei Xingtai Holding Group Co., Ltd. since February 2013, director of Guoyuan Agricultural Insurance Co., Ltd. since July 2007 and shareholder representative Supervisor of our Bank since July 2013. Mr. Cheng obtained a master's degree in management from the Australian National University in December 2007.

Mr. Wu Guozhong is a shareholder representative Supervisor of our Bank. Mr. Wu joined us in December 2009 as a shareholder representative Supervisor. His primary working experiences include: head of the finance department and the securities department, deputy general manager, board secretary, and then director of Tongling Nonferrous Metal Group Co., Ltd. from October 1996 to

September 2008, and deputy chief accountant and head of the finance department of Tongling Nonferrous Metal Group Holding Co., Ltd. since September 2008. Mr. Wu obtained a bachelor's degree in finance and accounting from Zhejiang Metallurgical and Economic Junior College (浙江冶金經濟專科學校) in July 1985, and a master of business administration degree from Anhui College of Business Administration in December 2002. Mr. Wu obtained the qualification of senior accountant from State Bureau of Nonferrous Metal Industry in September 1998.

Mr. Cheng Hong is a shareholder representative Supervisor of our Bank. Mr. Cheng joined us in December 2009 as a shareholder representative Supervisor. His primary working experiences include: lecturer of Anhui Construction Industry Institute from September 1988 to February 1990, general manager of Shenzhen Decorative Art Co., Ltd. from June 1990 to April 1992, chairman of the board of Hefei Taili Decorative Art Co., Ltd. from November 1992 to July 2008, chairman of the board of Anhui Hengtai Real Estate Company Limited since November 1996, chairman of the board of Anhui Hengtai Group Co. Ltd. since November 1996, chairman of the board of Tongling Maoyuan Investment Company since September 1997, and chairman of the board of Nanxiang Hengtai (Suzhou) Logistics Industry Co., Ltd. since February 2013. Mr. Cheng obtained a bachelor's degree in architecture from Anhui Construction Industry Institute in July 1988. He then studied in Zhejiang Academy of Art (currently known as China Academy of Art) and graduated in July 1990. Mr. Cheng also obtained a master's degree in business management for executives from Cheung Kong Graduate School of Business in October 2012. Mr. Cheng obtained his qualification as a senior engineer from the Construction Office of Anhui Province in June 1998.

Ms. Cheng Junpei is an external Supervisor of our Bank. Ms. Cheng joined us in December 2009 as our external Supervisor. Her primary working experiences include: acting general manager of a German subsidiary of Metro Group from May 1990 to September 1995, general manager of Swiss DKSH (Shanghai) International Trade from October 1995 to September 2001, deputy general manager of Sinopharm Group Co. Ltd. from October 2001 to May 2004, managing director of Shanghai Tianyi Consulting Company and managing director of Duo Source (Shanghai) International Trade Company from June 2004 to July 2011, and general manager of Sinopharm Pharmaceutical Logistics Company Limited since August 2011. Ms. Cheng obtained a bachelor's degree in economics from Shanghai Institute of Foreign Trade in July 1984, and a master of business administration degree from Nyenrode Business University in the Netherlands in September 1989.

Mr. Fan Libo is an external Supervisor of our Bank. Mr. Fan joined us in December 2009 as our external Supervisor. His primary working experiences include: professor of the International Business School of University of International Business and Economics since December 2004 and a tutor of doctoral students since December 2005. Mr. Fan was also an executive deputy dean of the Haier Business School of University of International Business and Economics from January 2003 to September 2004, and has served as deputy dean of the International Business School of University of International Business and Economics since November 2007. Mr. Fan was granted the State Council Special Allowance for his contribution to the nation's social science education in February 2013. Mr. Fan graduated from Central South University of Technology with a bachelor's degree in law with a major in ideological and political education in July 1987 and a master's degree in philosophy with a major in natural dialectics in July 1992, and obtained a doctoral degree in economics with a major in international trade from the University of International Business and Economics in June 2004.

Ms. Pan Shujuan is an external Supervisor of our Bank. Ms. Pan joined us in July 2013 as an external Supervisor. Her primary working experiences include: professor of Anhui University of

Finance & Economics (whose predecessor is Anhui Institute of Finance and Trade) since August 2002, dean of the School of Finance of Anhui University of Finance & Economics since June 2008, member of Academic Committee of Anhui University of Finance & Economics since October 2009, director of China Financial Engineering Conference since February 2010, member of Finance Professional Collaboration Team under the Higher Financial Education Branch of China Higher Education Association since August 2010, director of Professor Committee of the School of Finance of Anhui University of Finance & Economics since January 2011, and standing director of Anhui Financial Institution since June 2011. Ms. Pan obtained a bachelor's degree from Anhui Institute of Finance and Trade (currently known as Anhui University of Finance & Economics) in July 1983, and a master's degree in finance from Anhui University of Finance & Economics in July 1993.

Senior Management

Each member of our senior management satisfies the qualification requirements under the relevant PRC laws and regulations for his respective position. The senior management is responsible for the day-to-day management our business. The following table sets forth information regarding our senior management:

Name	Age	Position	Responsibilities
Mr. Wu Xuemin (吳學民)	45	executive Director, president	Taking charge of overall business affairs and managing the human resources department
Mr. Zhang Renfu (張仁付)	51	executive Director	Managing the general office, the compliance department, the security department, the CPC matters department, the infrastructures office, and liaising with the audit department
Mr. Wang Guisheng (王貴生)	58	vice president	Managing the corporate banking department, the small enterprises banking department, the international business department and the financial market department
Mr. Ci Yaping (慈亞平)	54	executive Director, vice president	Managing the financial planning department, the credit review department, the risk management department, the research and development department, and liaising with the office of directors and supervisors
Mr. Gao Guangcheng (高廣成)	49	vice president	Managing the retail banking department, the electronic banking department, the credit card center and the technology and information department

Name	Age	Position	Responsibilities
Mr. Zhang Youqi (張友麒)	48	vice president	Managing the accounting management department, the operational management department, the institution management department and the integrated service center
Mr. Yi Feng (易豐)	49	assistant to the president, president of our Hefei Branch	Assisting president and managing the Hefei Branch
Mr. Yan Dongshun (晏東順)	50	assistant to the president, general manager of the corporate banking department	Assisting president and managing the corporate banking department
Mr. Hu Dongdong (胡東東)	48	secretary to the Board, joint company secretary, head of the office of the Board and head of the office of the Board of Supervisors	Managing the administrative work of the board of directors, the office of the board of directors and the office of the board of supervisors, and taking care of the work of company secretary
Mr. Xia Min (夏敏)	42	assistant to the president, general manager of the planning and finance department	Assisting the president with his work, and managing the corporate planning and finance department
Mr. Liu Ming (劉鳴)	56	chief administration officer, Director of the general office	Managing administrative work, and managing the general office

Mr. Wu Xuemin is an executive Director and president of our Bank. See "Directors" section in this chapter for details of his biography.

Mr. Zhang Renfu is an executive Director of our Bank. See "Directors" section in this chapter for details of his biography.

Mr. Wang Guisheng is a vice president of our Bank. Mr. Wang joined us in December 2005 as a vice president. Mr. Wang has over 33 years' working experience in the banking industry. His primary working experiences include: vice president of the Wuhu Branch of the ICBC from February 1986 to September 1997, president of the Xuancheng Branch of the ICBC from July 1998 to October 2001, director of the supervisory office of ICBC Anhui Branch from October 2001 to December 2001, chairman of the board of Wuhu Commercial Bank from December 2001 to December 2005. Mr. Wang obtained a bachelor's degree in economic management from the Correspondence College of Party School of the Central Committee of CPC in December 1994. Mr. Wang studied at Anhui College of Finance and Trade as a part-time postgraduate from September 1997 to July 1999 and obtained a master's degree. Mr. Wang obtained the qualification of senior economist from ICBC in November 1994.

Mr. Ci Yaping is an executive Director and a vice president of our Bank. Please refer to "Directors" section in this chapter for details of his biography.

Mr. Gao Guangcheng is a vice president of our Bank. Mr. Gao joined us in February 1997 as head of Huaihe Road Sub-branch of Hefei City United Bank. Mr. Gao has over 21 years' working experience in the banking industry. His primary working experiences include: president of Huaihe

Road Sub-branch of Hefei City Commercial Bank Corporation Limited from January 1999 to December 1999, assistant to the president, vice president and then president of Hefei City Commercial Bank Corporation Limited from December 1999 to December 2005, president of Hefei Branch of our Bank from January 2006 to January 2007, and vice president of our Bank since January 2007. Mr. Gao obtained a bachelor's degree in economics with a major in industrial accounting from Anhui Institute of Finance and Trade in July 1987. Mr. Gao obtained the qualification of certified public accountant from the Certified Public Accountant Examination Committee of the MOF in May 1995. Mr. Gao obtained the qualification of senior economist from Senior Economist Qualification Assessment Committee in November 2007.

Mr. Zhang Youqi is a vice president of our Bank. Mr. Zhang joined us in December 2005 as an executive Director of our Bank and president of Tongling Branch. Mr. Zhang has over 26 years' working experience in the banking industry. His primary working experiences include: clerk of Foreign Exchange Administration Office, and then principal staff member of Foreign Exchange Swap Center, and then division head of the credit cooperation division and then division head of international settlement department of the banking department of Anhui Branch of the PBOC from July 1986 to June 1998, vice president of Hefei Sub-branch of China Everbright Bank from December 1999 to April 2001, chairman of the board of directors of Tongling Urban Credit Cooperatives from July 2005 to December 2005, and executive Director of our Bank from December 2005 to May 2011, during which Mr. Zhang also served as president of the Tongling Branch of our Bank, general manager of the business department and the institutional management department of our Bank and secretary of the Board from December 2005 to November 2009 and vice president of our Bank since May 2011. Mr. Zhang obtained a bachelor's degree in economics from Anhui Institute of Finance and Trade in July 1986, and a master of business administration degree from Anhui Institute of Business Administration in December 2007. Mr. Zhang obtained the qualification of senior economist from PBOC in October 2001.

Mr. Yi Feng is an assistant to the president of our Bank and president of our Hefei Branch. Mr. Yi joined us in May 2009 as president of Hefei Branch of our Bank and he has been an assistant to the president of our Bank and president of our Hefei Branch since May 2011. Mr. Yi has over 14 years' working experience in the banking industry. His primary working experiences include: deputy director of the administration office of CCB Anhui Branch from April 2000 to September 2001, president of CCB Huangshan Branch from November 2001 to January 2003, director of the entrustment loan department of CCB Anhui Branch from January 2003 to September 2003, general manager of the institution and investment banking department of CCB Anhui Branch from September 2003 to July 2004, president of CCB Hefei Sanxiaokou Sub-branch from October 2004 to May 2007, and president of CCB Hefei City West Sub-branch from October 2007 to May 2009. Mr. Yi graduated from Fuyang Teachers College in Anhui Province in July 1986 with a bachelor's degree in Chinese, and from Xiamen University in June 1993 with a master's degree in arts. Mr. Yi obtained the qualification of senior economist as accredited by CCB in December 2000.

Mr. Yan Dongshun is an assistant to the president of our Bank and general manager of our corporate banking department. Mr. Yan joined our Bank in August 2006 as the general manager of our corporate banking department. Mr. Yan has over 30 years' working experience in the banking industry. His primary working experiences include: vice president of Xiangbei Sub-branch of Agriculture Bank of China from March 1992 to February 1993, deputy division head of the deposit division, deputy general manager and general manager of the real estate credit department of Xiangfan Branch of Agriculture Bank of China from March 1993 to February 1998, president of Xiangcheng Sub-branch of

Agriculture Bank of China from February 1998 to December 1999, director of the administration office of Wuhan Branch of China Minsheng Banking Corporation from January 2000 to June 2001, director of the administration office of Shenzhen Branch of China Minsheng Banking Corporation from August 2001 to December 2003, general manager of the corporate business department of Shenzhen Branch of China Minsheng Banking Corporation from January 2004 to July 2006, general manager of our corporate banking department since August 2006, and assistant to the president of our Bank and general manager of our corporate banking department since May 2011. Mr. Yan graduated from Central China Normal University in January 2000 with a master's degree in management.

Mr. Hu Dongdong is the secretary to our Board, joint company secretary, head of the office of our Board and head of our office of the Board of Supervisors. Mr. Hu joined us in December 2005 as head of the office of our Board and head of our office of the Board of Supervisors. Mr. Hu has over 28 years' working experience in the banking industry. His primary working experiences include: deputy division head of the financial management division of Wuhu Branch of the PBOC from January 1994 to July 1997, general manager of the financing department, assistant to president and then vice president of Wuhu City Commercial Bank from August 1997 to March 2005, head of the office of our Board and head of the office of our Board of Supervisors since December 2005, and secretary to our Board since April 2011. Mr. Hu obtained a bachelor's degree in economics from the Correspondence College of Party School of the Central Committee of CPC in December 1999, and a master's degree in business administration for senior management from Shanghai University of Finance and Economics in October 2011. Mr. Hu obtained the qualification of economist from Anhui Branch of the PBOC in November 1996. Mr. Hu obtained the qualification of senior economist from the Review Committee for Senior Economist of Anhui Province in October 2008.

Mr. Xia Min is an assistant to the president of our Bank and the general manager of the planned finance department of our Bank. Mr. Xia joined us in February 1997 as credit clerk at the loan division of Hefei City United Bank. Mr. Xia has nearly 20 years' working experience in the banking industry. His primary working experiences include: assistant to the president of Changjiang Middle Road Sub-branch of Hefei City United Bank from February 1998 to June 1998, president of our Xiaoyaojin Sub-branch of Hefei City Commercial Bank Corporation Limited (known as Hefei City United Bank from April 1997 to July 1998) from June 1998 to June 2002, general manager of the fund and finance department of Hefei City Commercial Bank Corporation Limited from June 2002 to August 2005, president and vice president of Hefei City Commercial Bank Corporation Limited from August 2005 to December 2005, general manager of the financial planning department of our Bank since December 2005, and an assistant to president of our Bank since December 2011. Mr. Xia obtained a bachelor's degree in finances from Shanghai University of Finance and Economics in June 1993, and a doctoral degree in economics from Research Institute for Fiscal Science of the MOF in July 2009.

Mr. Liu Ming is the chief administration officer and director of our general office. Mr. Liu joined us in December 2005 as the president of our Wuhu Branch. Mr. Liu has over 18 years' working experience in the banking industry. His primary working experiences include: deputy director of the administrative office of the planning committee of Wuhu City and deputy division head and then division head of the finance and trade division from August 1988 to September 1996. He served as an assistant to the president of Wuhu Branch of CCB from August 1996 to October 1997, and was then joined Wuhu City Commercial Bank in October 1997 where he acted as its vice president from July 1999 to March 2000 and its president from April 2000 to December 2005. He served as the president of Wuhu Branch of our Bank from December 2005 to January 2007, general manager of our compliance department from January 2007 to March 2008, director of the general office of our Bank since March 2008 and chief administration officer of our Bank since December 2011. Mr. Liu obtained a bachelor's degree in finance from Anhui University of Finance and Economics (formerly known as Anhui Finance and Trade College) in August 1982, and obtained the qualification of economist from Wuhu Job Title Reform Leading Team in February 1993.

Except as disclosed here, none of our Directors, Supervisors and senior management members are related to other Directors, Supervisors or senior management members.

Except as disclosed above, none of our Directors, Supervisors and senior management members has been a director of any public company, the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this document.

Save as disclosed here, there are no other information which needs to be brought to the attention to the shareholders under certain rules and regulations.

JOINT COMPANY SECRETARIES

Mr. Hu Dongdong is our joint company secretary. See "Senior Management" section in this chapter for details of his biography.

Dr. Ngai Wai Fung, FCIS, FCS(PE), CPA and FCCA, is our joint company secretary. Dr. Ngai joined the Bank in October 2013 as our joint company secretary. Dr. Ngai is currently a director and Chief Executive Officer of SW Corporate Services Group Limited. He is a Vice President of Hong Kong Institute of Chartered Secretaries ("HKICS"). Dr. Ngai is a fellow member of HKICS in November 2000, a fellow member of the Institute of Chartered Secretaries and Administrators in the United Kingdom in November 2000, a member of the Hong Kong Institute of Certified Public Accountants in July 2007 and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom in March 2012.

Dr. Ngai held a number of positions in companies that were listed on the Hong Kong Stock Exchange including COSCO International Holdings Limited, China Unicom (Hong Kong) Limited and Industrial and Commercial Bank of China (Asia) Ltd. Dr. Ngai was an independent non-executive director of China Life Insurance Company Limited, a company listed on the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the New York Stock Exchange.

Dr. Ngai currently acts as the joint company secretary of China Pacific Insurance (Group) Co., Ltd., a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, and China Eastern Airlines Corporation Limited, a company listed on the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the New York Stock Exchange; the company secretary of Anton Oilfield Services Group and Sinosoft Technology Group Limited, both of which are listed on the Hong Kong Stock Exchange. In January 2013, Dr. Ngai was appointed as a member of the Working Group on Professional Services under the Economic Development Commission led by the Chief Executive of Hong Kong SAR and a member of Qualification and Examinations Board of Hong Kong Institute of Certified Public Accountants. He is also an Adjunct Professor of Law of Hong Kong Shue Yan University.

Dr. Ngai possesses over 25 years of company secretarial experience. Dr. Ngai obtained a doctorate in Finance from the Shanghai University of Finance and Economic in June 2011, a master's degree in Corporate Finance from the Hong Kong Polytechnic University in November 2002, a master's degree in Business Administration (MBA) from Andrews University of the United States in August 1992 and a bachelor's degree (Honours) in Law from the University of Wolverhampton, the United Kingdom in October 1994.

BOARD OF DIRECTORS COMMITTEES

Our Board of Directors delegates certain responsibilities to various committees. In accordance with relevant PRC laws, regulations, our Articles of Association and the certain rules and regulations, we have formed five board committees, namely the strategic development committee, the audit committee, the nomination and remuneration committee, the risk management committee and the related party transaction control committee.

Strategic Development Committee

Our strategic development committee consists of three executive Directors, four non-executive Directors and one independent non-executive Director. The three executive Directors are Mr. Li Hongming, Mr. Wu Xuemin and Mr. Zhang Renfu. The four non-executive Directors are Mr. Zhang Feifei, Mr. Qian Zheng, Mr. Guo Shigang and Mr. Gao Yang. The one independent non-executive Director is Mr. Wang Shihao. Currently, Mr. Li Hongming is the chair of the committee.

The principal responsibilities of the strategic development committee include:

- drafting operational and management goals, medium to long-term development strategy and listing plans of our Bank and making suggestions in that respect to the Board;
- reviewing the strategic capital allocation and management objectives of assets and liabilities and making suggestions in that respect to the Board;
- preparing plans for the overall development of various financial businesses and making suggestions in that respect to the Board;
- considering strategic development plans for human resources and making suggestions in that respect to the Board;
- supervising and examining the implementation of annual operating plans and investment proposals;
- considering annual financial budgets and final accounts and making suggestions in that respect to the Board;
- considering plans for significant restructuring and re-organization and making suggestions in that respect to the Board;
- designing significant investment and financing projects, considering proposals in that respect as submitted by the senior management, and making suggestions in that respect to the Board;
- designing merger and acquisition plans, considering proposals in that respect as submitted by the senior management, and making suggestions in that respect to the Board;
- considering plans for information technology development and other special strategic development plans and making suggestions in that respect to the Board; and
- reviewing and evaluating the soundness of our corporate governance structure so as to ensure that the financial reporting, risk management and internal control meet our standards for corporate governance.

Audit Committee

Our audit committee consists of two non-executive Directors and three independent non-executive Directors. The two non-executive Directors are Mr. Zhang Feifei and Mr. Qian Zheng; and the three independent non-executive Directors are Mr. Wen Jinghui, Mr. Dai Genyou and Mr. Zhang Shenhuai. Currently, Mr. Wen Jinghui is the chair of the committee.

The principal responsibilities of the audit committee include:

- checking our financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant views on financial reporting contained in accounting statements and financial reports and other information related to our business operation, and conducting an audit on our operating efficiency, profit distribution and capital utilization;
- checking the letter of recommendations for management (or any equivalent document) to be given by an external auditor to the senior management and ensuring that the Board responds to it in a timely manner, and checking any major questions raised by the external auditor to the senior management with respect to our accounting records, financial accounts or control system, and any responses given by the senior management;
- reviewing our disclosure made to the general meeting and the public, and verifying the integrity, validity, completeness, and accuracy of our financial reports, capital utilization reports and major events;
- reviewing our internal control and financial control systems, and auditing our material connected transactions, monitoring the implementation of our risk management system and its compliance, discussing the internal control system with the senior management and reporting it to the Board, considering major investigation findings on matters relating to the internal control system as delegated by the Board or on its own initiative and the senior management's response to these findings;
- overseeing the implementation of our internal audit systems;
- organizing and guiding the internal audit under the authorization of the Board;
- taking charge of our annual audit, making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and preparing reports for the truthfulness, accuracy, completeness and timeliness of information contained in the audited financial statements based on its own judgment, and submitting them to the Board for discussion and consideration. The audit committee should require the appointed external auditors to give an explanation on their services provided, terms of appointment, fees charged and other relationships or matters that may affect the independence of the audit, and make an evaluation on the independence of external auditors and submit it to the Board for approval. The audit committee should deal with any issue related to the resignation of external auditors or the removal of such external auditors;
- reviewing our financial and accounting policies and practice;
- taking charge of the communication and coordination between the internal auditors and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within our Bank;
- evaluating the mechanisms for our employees to make whistleblowing on financial statements, internal control or other irregularities, and conducting independent and fair

investigations on matters relating to whistleblowing by us, and adopting any mechanism for appropriate actions.

Nomination and Remuneration Committee

Our nomination and remuneration committee consists of one executive Director, one non-executive Director and three independent non-executive Directors. The one executive Director is Mr. Li Hongming; the one non-executive Director is Mr. Gao Yang; the three independent non-executive directors are Mr. Dai Genyou, Mr. Zhang Shenghuai and Mr. Au Ngai Daniel. Currently, Mr. Dai Genyou is the chair of the committee.

The principal responsibilities of the nomination and remuneration committee include:

- developing the procedures and criteria for electing Directors and senior management, and making recommendations to the Board;
- preliminarily reviewing the qualifications of candidates for Directors and candidates for senior management (especially the chairman and president), and making recommendations to the Board;
- making recommendations to the Board on the structure, number, size and composition (including the skills, knowledge and experience) of the Board, based on our business operation, asset scale and equity structure;
- identifying candidates with suitable qualifications to serve as Directors and senior management, and establishing a mechanism for key talents pool;
- evaluating the independence of independent non-executive Directors;
- developing appraisal criteria for Directors and senior management, organizing performance appraisals for Directors and senior management on a regular basis, and submitting the appraisal results to the Board;
- considering our remuneration management system and policies, preparing the appraisal and remuneration proposals for Directors and senior management, and making recommendations to the Board, developing policies and approval plans, and monitoring the implementation of such plans;
- Making recommendations to the Board on the remuneration package of individual executive Directors and senior management. The factors that shall be considered by the Committee include salaries paid by comparable companies, time commitment of directors and their responsibilities, employment conditions of other positions within the Bank and whether salaries should be determined on the basis of performance;
- reviewing compensation payable to executive Directors and senior management for any loss or termination of office or appointment, and making recommendations to the Board;
- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct, and making recommendations to the Board;
- ensuring that no Director or any of his associates (within the meaning of certain rules and regulations) is involved in deciding his own remuneration.

Risk Management Committee

Our risk management committee consists of two executive Directors, one non-executive Director and one independent non-executive Director. The two executive Directors are Ms. Xu Demei and Mr. Ci Yaping; the one non-executive Director is Mr. Wu Tian; and the one independent non-executive Director is Mr. Wang Shihao. Currently, Mr. Wang Shihao is the chair of the committee.

The principal responsibilities of the risk management committee include:

- reviewing our risk management policies in line with our overall strategy, supervising and evaluating their implementation and effectiveness, and making recommendations in that respect to our Board;
- providing guidance on building our risk management systems;
- supervising and evaluating the establishment, organizational structure, working procedures and effects of the risk management department, and making suggestions for improvement;
- considering our risk report, conducting regular assessments of our risk policy, management status and risk exposure, and making suggestions on improving our risk management and internal control;
- supervising and assessing the risk control by our senior management in respect of credit, market and operation; and
- examining and approving significant risk management affairs or transactions that are beyond the authority of the president or submitted by the president to the risk management committee for consideration, according to the authorization of the Board.

Related party Transaction Control Committee

Our related party transaction control committee consists of one executive Director, one non-executive Director and three independent non-executive Directors. The one executive Director is Ms. Xu Demei; the one non-executive Director is Mr. Wu Tian; and the three independent non-executive Directors are Mr. Zhang Shenghuai, Mr. Wen Jinghui and Mr. Au Ngai Daniel. Currently, Mr. Zhang Shenghuai is the chair of the committee.

The principal responsibilities of the related party transaction control committee include:

- identifying related parties and connected persons, the relationship among them and with us and related party transactions and connected transactions, managing the risks arising from related party transactions and connected transactions;
- identifying and reviewing significant related party transactions and connected transactions, and submitting the same to the Board for consideration;
- formulating our rules for the management of related party transactions and connected transactions; and
- submitting to the Board, upon completion of each year, a detailed report of the overall status, risk analysis and structural distribution of our related party transactions and connected transactions that occurred in that year.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors and Supervisors receive compensation in the form of Directors' or Supervisors' fees, salaries, housing allowances and other allowances, benefits in kind, the employer's contribution to the pension schemes and discretionary bonuses.

The total compensation before taxation accrued to our Directors for the years ended December 31, 2010, 2011 and 2012 was RMB6,167,000, RMB8,997,000 and RMB9,177,000, respectively. The total compensation before taxation accrued to our Directors for the six months ended June 30, 2013 was RMB4,115,000.

The total compensation before taxation accrued to our Supervisors for the years ended December 31, 2010, 2011 and 2012 was RMB2,888,000, RMB4,218,000 and RMB4,276,000, respectively. The total compensation before taxation accrued to our Supervisors for the six months ended June 30, 2013 was RMB1,805,000.

The total compensation before taxation accrued to our senior management (other than those members of our senior management who were also our Directors or Supervisors for the relevant period) for the years ended December 31, 2010, 2011 and 2012 was RMB3,964,000, RMB12,810,000 and RMB13,608,000. The total compensation before taxation accrued to our senior management (other than those members of our senior management who were also our Directors or Supervisors for the relevant period) for the six months ended June 30, 2013 was RMB5,377,000.

For the year ended December 31, 2010, five highest paid individuals include two Directors and one Supervisor. For the year ended December 31, 2011, five highest paid individuals include three Directors and one Supervisor. For the year ended December 31, 2012, five highest paid individuals include three Directors. For the six months ended June 30, 2013, five highest paid individuals include four Directors. The total compensation before taxation paid to the rest two, one, two and one among the five highest paid individuals for the years ended December 31, 2010, 2011 and 2012 and for the six months ended June 30, 2013 was RMB2,645,000, RMB1,739,000, RMB3,509,000 and RMB733,000, respectively.

We did not pay to our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office for each of the years ended December 31, 2010, 2011 and 2012. Furthermore, none of our Directors waived compensation for the same period.

Under the arrangement currently in force, we estimate the total compensation before taxation to be accrued to our Directors, Supervisors and senior management for the year ending December 31, 2013 to be approximately RMB8,723,337, RMB4,006,898 and RMB10,778,395, respectively.

SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, the following persons directly or indirectly control, or are entitled to exercise, or control the exercise of, 5% or more of our Domestic Shares:

Name of Shareholder	No. of Domestic Shares directly or indirectly held	Approximate percentage of share capital
Anhui Guoyuan Holding (Group) Company Ltd.	839,083,908	10.26%(1)
Anhui Energy Group Company Ltd.	817,314,575	9.99%
Anhui Credit Guaranty Group Company Ltd.	802,093,954	9.81%
Anhui Highway Holding Group Company Ltd.	500,000,000	6.12%
Zhongjing Sihai Company Ltd.	444,696,160	5.44%

Note:

(1) The shareholding of Anhui Guoyuan Holding (Group) Company Ltd. takes into account the shares of the Bank held by Anhui Guoyuan Ma'anshan Asset Management Company Ltd., Anhui Guoyuan Trust Company Ltd., and Guoyuan Securities Company Ltd., representing 0.0043%, 0.42% and 1.42%, respectively, of the total issued shares of the Bank as of the Latest Practicable Date. Anhui Guoyuan Ma'anshan Asset Management Company Ltd., Anhui Guoyuan Trust Company Ltd. and Guoyuan Securities Company Ltd. are the subsidiaries of Anhui Guoyuan Holding (Group) Company Ltd.

As of the Latest Practicable Date, our registered share capital is RMB 8,174,819,283, which is comprised of 8,174,819,283 Domestic Shares, as set out as follows:

Domestic Shares	Number of shares	Approximate percentage of share capital
Domestic Shares	8,174,819,283	100%

The following discussion and analysis should be read in conjunction with our consolidated financial statements included in the Accountant's Report in Appendix I, the unaudited supplementary financial information in Appendix II and the selected financial data, in each case together with the accompanying notes, included elsewhere in this document. The consolidated financial statements have been prepared in accordance with IFRS.

ASSETS

As of June 30, 2013, total assets amounted to RMB409,587 million, an increase of 26.3% from RMB324,224 million as of December 31, 2012. Total assets increased by RMB67,242 million in 2012 and RMB48,006 million in 2011, representing a 26.2% and 23.0% increase over 2011 and 2010, respectively. The table below sets forth the components of total assets as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Loans and advances to customers, total	117,034	56.0%	137,413	53.5%	163,795	50.5%	183,057	44.7%
Allowance for impairment losses	(2,976)	(1.4)	(3,490)	(1.4)	(3,853)	(1.2)	(4,191)	(1.0)
Loans and advances to customers, net	114,058	54.6	133,923	52.1	159,941	49.3	178,866	43.7
Financial assets held under resale agreements	10,543	5.1	5,317	2.1	38,198	11.8	92,281	22.5
Investment securities and financial assets held for trading(1)	43,663	20.9	47,812	18.6	57,056	17.6	68,936	16.8
Cash and balances with central bank	34,580	16.5	55,829	21.7	57,649	17.8	59,650	14.6
Due from banks and other financial institutions(2)	1,496	0.7	7,076	2.8	3,834	1.2	4,167	1.0
Placements with and loans to banks and other financial institutions(3)	1,237	0.6	3,581	1.4	2,813	0.9	893	0.2
Other assets(4)	3,399	1.6	3,444	1.3	4,733	1.5	4,794	1.2
Total assets	**208,976**	**100.0%**	**256,982**	**100.0%**	**324,224**	**100.0%**	**409,587**	**100.0%**

Notes:

(1) Includes available-for-sale financial assets, held-to-maturity investments, loans and receivables and financial assets held for trading.

(2) Due from banks and other financial institutions are net of allowances for impairment losses in the amounts of RMB6 million as of each of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively.

(3) Placements with and loans to banks and other financial institutions are net of allowances for impairment losses in the amounts of RMB49 million, RMB48 million, RMB38 million and RMB34 million as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively.

(4) Primarily consists of interest receivables, property, plant and equipment, deferred income tax assets, investment in associates and derivative financial assets.

Loans and Advances to Customers

Loans and advances to customers are the largest component of total assets. We provide a broad range of loan products to customers through our branch network, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of allowance for impairment losses, represented 54.6%, 52.1%, 49.3% and 43.7% of total assets as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively.

The following discussion is based on total loans and advances to customers before taking into account the related allowance for impairment losses. Loans and advances to customers are reported net of allowance for impairment losses on our consolidated statement of financial position.

As of June 30, 2013, total loans and advances to customers amounted to RMB183,057 million, an increase of 11.8% from RMB163,795 million as of December 31, 2012. Total loans and advances to customers increased by RMB26,382 million in 2012 and RMB20,379 million in 2011, representing a 19.2% and 17.4% increase over 2011 and 2010, respectively.

Loans and Advances to Customers by Product Type

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

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate loans	87,550	74.8%	100,337	73.0%	116,808	71.3%	131,181	71.7%
Retail loans	24,929	21.3	30,616	22.3	35,080	21.4	41,845	22.9
Discounted bills	4,555	3.9	6,460	4.7	11,907	7.3	10,031	5.4
Total loans and advances to customers	**117,034**	**100.0%**	**137,413**	**100.0%**	**163,795**	**100.0%**	**183,057**	**100.0%**

Corporate loans are the largest component of our loan portfolio. In recent years, we have also increased our efforts to expand our retail loan business. Both corporate loans and retail loans grew during the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013. Discounted bills are an important component of our loan portfolio. We adjust our position in discounted bills to manage our loan scale and liquidity.

Corporate Loans

Corporate loans represented 74.8%, 73.0%, 71.3% and 71.7% of total loans and advances to customers as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The table below sets forth corporate loans by product type as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Short-term loans (one year or less)	47,731	54.5%	59,427	59.2%	63,731	54.6%	76,975	58.7%
Medium- and long-term loans (over one year)	39,819	45.5	40,910	40.8	53,077	45.4	54,206	41.3
Total corporate loans	**87,550**	**100.0%**	**100,337**	**100.0%**	**116,808**	**100.0%**	**131,181**	**100.0%**

As of June 30, 2013, corporate loans amounted to RMB131,181 million, an increase of 12.3% from RMB116,808 million as of December 31, 2012. Corporate loans increased by 14.6% from RMB87,550 million as of December 31, 2010 to RMB100,337 million as of December 31, 2011 and further increased by 16.4% to RMB116,808 million as of December 31, 2012. The increases in corporate loans were primarily the result of increased market demand for corporate loans driven by Anhui's strong economic growth.

As of June 30, 2013, short-term loans amounted to RMB76,975 million, an increase of 20.8% from RMB63,731 million as of December 31, 2012. Short-term loans increased by 24.5% from RMB47,731 million as of December 31, 2010 to RMB59,427 million as of December 31, 2011 and further increased by 7.2% to RMB63,731 million as of December 31, 2012. Short-term loans as a percentage of total corporate loans increased from 54.5% as of December 31, 2010 to 58.7% as of June 30, 2013, primarily reflecting (i) an increase in loans to the commercial trading and logistics industries, which generally are short-term in nature and (ii) our efforts to adjust the proportion of short-term loans in our loan portfolio to match the maturity profile of our liabilities.

As of June 30, 2013, medium- and long-term loans amounted to RMB54,206 million, an increase of 2.1% from RMB53,077 million as of December 31, 2012. Medium- and long-term loans increased by 2.7% from RMB39,819 million as of December 31, 2010 to RMB40,910 million as of December 31, 2011 and further increased by 29.7% to RMB53,077 million as of December 31, 2012. Medium- and long-term loans as a percentage of total corporate loans decreased from 45.4% as of December 31, 2012 to 41.3% as of June 30, 2013, primarily reflecting our efforts to adjust the proportion of long-term loans in our loan portfolio to match the maturity profile of our liabilities. Medium- and long-term loans as a percentage of total corporate loans increased from 40.8% as of December 31, 2011 to 45.4% as of December 31, 2012, primarily due to an increase in syndicated loans, which are generally long-term loans.

Corporate Loans by Industry

We classify our corporate loan portfolio based on the industry classification promulgated by the NBS. The table below sets forth corporate loans by industry as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Commerce and services	17,440	19.8%	23,455	23.3%	33,594	28.9%	40,052	30.6%
Manufacturing	23,726	27.1	31,512	31.4	36,212	31.0	39,571	30.2
Public utilities	23,880	27.3	19,253	19.2	12,507	10.7	13,557	10.3
Real estate	6,028	6.9	6,188	6.2	9,344	8.0	11,628	8.9
Construction	5,039	5.8	7,589	7.6	9,934	8.5	11,604	8.8
Energy and chemical	3,880	4.4	4,742	4.7	4,825	4.1	4,374	3.3
Transportation	3,534	4.0	3,284	3.3	4,486	3.8	3,892	3.0
Education and media	1,621	1.9	1,479	1.5	1,657	1.4	2,364	1.8
Catering and tourism	1,155	1.3	1,336	1.3	1,549	1.3	1,508	1.1
Finance	746	0.9	803	0.8	1,575	1.3	980	0.7
Others[(1)]	501	0.6	696	0.7	1,125	1.0	1,651	1.3
Total corporate loans	**87,550**	**100.0%**	**100,337**	**100.0%**	**116,808**	**100.0%**	**131,181**	**100.0%**

Note:
(1) Primarily consists of farming, forestry, husbandry and fishing industries.

Loans to borrowers in the commerce and services, manufacturing, public utilities, real estate and construction industries represented the largest components of our corporate loan portfolio. Loans to these five industries accounted for 86.9%, 87.7%, 87.1% and 88.8% of total corporate loans as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively.

Loans to the commerce and services industry represented the largest component of our corporate loan portfolio, reflecting our efforts to expand our trade finance business to capitalize on the growth of the commercial trading and logistics industries. As of December 31, 2010, 2011 and 2012 and June 30, 2013, loans to the commerce and services industry accounted for 19.8%, 23.3%, 28.9% and 30.6% of total corporate loans, respectively.

Loans to the manufacturing industry accounted for a significant portion of our corporate loans, primarily reflecting increased financing activities of manufacturing enterprises in Anhui driven by the acceleration of Anhui's industrialization process. As of December 31, 2010, 2011 and 2012 and June 30, 2013, loans to the manufacturing industry accounted for 27.1%, 31.4%, 31.0% and 30.2% of total corporate loans, respectively.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, loans to the public utilities industry accounted for 27.3%, 19.2%, 10.7% and 10.3% of total corporate loans, respectively. The decreases in loans to the public utilities industry as a percentage of our corporate loan portfolio primarily reflected our efforts to manage our credit exposure to local government financing vehicles.

Loans to the real estate industry accounted for 6.9%, 6.2%, 8.0% and 8.9% of total corporate loans as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The increases in loans to the real estate industry as a percentage of our corporate loan portfolio were primarily attributable to our focus on increasing lending for developments of small- and medium-sized residential units and affordable housing projects, which are encouraged by the PRC government.

Corporate Loans by Size of Borrowers

The table below sets forth corporate loans by size of borrowers as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
SME loans	69,360	79.2%	77,765	77.5%	88,056	75.4%	98,801	75.3%
Non-SME loans	18,190	20.8	22,572	22.5	28,752	24.6	32,380	24.7
Total corporate loans	**87,550**	**100.0%**	**100,337**	**100.0%**	**116,808**	**100.0%**	**131,181**	**100.0%**

Corporate Loans by Credit Exposure

The table below sets forth corporate loans by credit exposure as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Up to RMB10 million	15,689	17.9%	16,850	16.8%	18,152	15.5%	19,009	14.5%
Over RMB10 million to RMB50 million	20,430	23.4	27,770	27.7	35,220	30.1	39,547	30.2
Over RMB50 million to RMB100 million	8,092	9.2	9,471	9.4	11,432	9.8	11,496	8.8
Over RMB100 million to RMB500 million	28,708	32.8	30,668	30.6	35,349	30.3	41,122	31.3
Over RMB500 million to RMB1 billion	10,056	11.5	10,581	10.5	13,141	11.3	15,401	11.7
Over RMB1 billion	4,575	5.2	4,997	5.0	3,514	3.0	4,606	3.5
Total corporate loans	**87,550**	**100.0%**	**100,337**	**100.0%**	**116,808**	**100.0%**	**131,181**	**100.0%**

Retail loans

Retail loans represented 21.3%, 22.3%, 21.4% and 22.9% of total loans and advances to customers as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The table below sets forth retail loans by product type as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Residential mortgage loans	15,291	61.3%	19,474	63.6%	21,333	60.8%	25,753	61.5%
Personal business loans	7,723	31.0	9,762	31.9	11,985	34.2	13,870	33.2
Credit card overdrafts	54	0.2	89	0.3	695	2.0	1,233	2.9
Personal consumption loans	1,861	7.5	1,291	4.2	1,067	3.0	989	2.4
Total retail loans	**24,929**	**100.0%**	**30,616**	**100.0%**	**35,080**	**100.0%**	**41,845**	**100.0%**

As of June 30, 2013, retail loans amounted to RMB41,845 million, an increase of 19.3% from RMB35,080 million as of December 31, 2012. Retail loans increased by 22.8% from RMB24,929 million as of December 31, 2010 to RMB30,616 million as of December 31, 2011 and further increased by 14.6% to RMB35,080 million as of December 31, 2012.

As of June 30, 2013, residential mortgage loans amounted to RMB25,753 million, an increase of 20.7% from RMB21,333 million as of December 31, 2012. Residential mortgage loans increased by 27.4% from RMB15,291 million as of December 31, 2010 to RMB19,474 million as of December 31, 2011 and further increased by 9.5% to RMB21,333 million as of December 31, 2012. The increases in residential mortgage loans were primarily due to strong market demand for residential mortgage loans in Anhui, as well as our focus on increasing lending to first-time home purchasers.

As of June 30, 2013, personal business loans amounted to RMB13,870 million, an increase of 15.7% from RMB11,985 million as of December 31, 2012. Personal business loans increased by 26.4% from RMB7,723 million as of December 31, 2010 to RMB9,762 million as of December 31, 2011 and further increased by 22.8% to RMB11,985 million as of December 31, 2012. The increases in personal business loans primarily reflected our focus on developing our personal revolving loan business, particularly, our introduction of "Huidaitong" loan product in 2012 as part of our marketing efforts.

As of June 30, 2013, the balances of credit card overdrafts amounted to RMB1,233 million, an increase of 77.4% from RMB695 million as of December 31, 2012. The balances of credit card overdrafts increased by 64.8% from RMB54 million as of December 31, 2010 to RMB89 million as of December 31, 2011 and further increased by 680.9% to RMB695 million as of December 31, 2012. The increases in the balances of credit card overdrafts were in line with the expansion of our credit card business.

As of June 30, 2013, personal consumption loans amounted to RMB989 million, a decrease of 7.3% from RMB1,067 million as of December 31, 2012. Personal consumption loans decreased by 30.6% from RMB1,861 million as of December 31, 2010 to RMB1,291 million as of December 31, 2011 and further decreased by 17.4% to RMB1,067 million as of December 31, 2012.

Retail Loans by Credit Exposure

The table below sets forth retail loans by credit exposure as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Up to RMB500,000	20,918	83.9%	24,076	78.7%	25,912	73.9%	29,744	71.1%
Over RMB500,000 to RMB1 million	2,385	9.6	3,195	10.4	3,688	10.5	4,455	10.7
Over RMB1 million to RMB10 million	1,551	6.2	3,224	10.5	5,187	14.8	7,342	17.5
Over RMB10 million	75	0.3	121	0.4	293	0.8	304	0.7
Total retail loans	**24,929**	**100.0%**	**30,616**	**100.0%**	**35,080**	**100.0%**	**41,845**	**100.0%**

Discounted Bills

Discounted bills represented 3.9%, 4.7%, 7.3% and 5.4% of total loans and advances to customers as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The table below sets forth discounted bills by product type as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Bank acceptance bills	3,744	82.2%	5,632	87.2%	11,316	95.0%	8,855	88.3%
Commercial acceptance bills	811	17.8	828	12.8	591	5.0	1,176	11.7
Total discounted bills	**4,555**	**100.0%**	**6,460**	**100.0%**	**11,907**	**100.0%**	**10,031**	**100.0%**

Discounted bills amounted to RMB4,555 million, RMB6,460 million, RMB11,907 million and RMB10,031 million as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The changes in the balance of discounted bills primarily reflected our efforts to manage our loan scale and liquidity.

Bank acceptance bills generally present lower credit risk than commercial acceptance bills, whereas commercial acceptance bills bear higher discount rates. Bank acceptance bills accounted for 82.2%, 87.2%, 95.0% and 88.3% of total discounted bills as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The changes in bank acceptance bills as a percentage of total discounted bills primarily reflected our adjustments of the composition of our discounted bill portfolio to balance risk and return.

Loans and Advances to Customers by Geography

We classify loans and advances to customers based on the geographic location of the branch that originates the loan. Our branches generally extend loans to borrowers located in their respective geographical areas. The table below sets forth loans and advances to customers by geography as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Anhui	109,073	93.2%	128,197	93.3%	153,198	93.5%	169,854	92.8%
Jiangsu	7,961	6.8	9,216	6.7	10,597	6.5	13,203	7.2
Total loans and advances to customers	**117,034**	**100.0%**	**137,413**	**100.0%**	**163,795**	**100.0%**	**183,057**	**100.0%**

We conducted all of our business activities in Anhui Province prior to 2009. In April 2009, we expanded our business into Nanjing, Jiangsu Province. As of December 31, 2010, 2011 and 2012 and June 30, 2013, loans originated in Jiangsu accounted for 6.8%, 6.7%, 6.5% and 7.2% of total loans and advances to customers, respectively.

Loans and Advances to Customers by Collateral

Collateralized loans, pledged loans and guaranteed loans represented, in the aggregate, 88.3%, 88.2%, 91.7% and 92.6% of total loans and advances to customers as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. If a loan is secured by more than one form of security interest, the allocation is based on the primary form of security interest. The table below sets forth loans and advances to customers by the type of collateral as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Collateralized loans	54,557	46.6%	61,194	44.6%	75,940	46.3%	90,854	49.6%
Pledged loans	6,760	5.8	11,720	8.5	20,319	12.4	19,769	10.8
Guaranteed loans	41,992	35.9	48,251	35.1	54,000	33.0	58,953	32.2
Unsecured loans	13,725	11.7	16,248	11.8	13,536	8.3	13,481	7.4
Total loans and advances to customers	**117,034**	**100.0%**	**137,413**	**100.0%**	**163,795**	**100.0%**	**183,057**	**100.0%**

We extend unsecured loans to customers with relatively high credit ratings based on our internal credit risk rating system. Since 2012, we have implemented stricter credit assessment standards for granting unsecured loans to reduce credit risk exposure. As a result, unsecured loans as a percentage of total loans and advances to customers decreased from 11.8% as of December 31, 2011 to 8.3% as of December 31, 2012 and further decreased to 7.4% as of June 30, 2013.

Collateralized loans and pledged loans are subject to loan-to-value ratio limits based on the type of collateral. We have been focusing on increasing the proportion of collateralized loans and pledged loans in our loan portfolio to reduce credit risk exposure. As a result, collateralized loans and pledged loans as a percentage of total loans and advances to customers increased from 52.4% as of December 31, 2010 to 60.4% as of June 30, 2013.

As guaranteed loans are generally not secured by any assets of the guarantors, we have implemented stricter credit assessment standards for extending guaranteed loans. As a result, guaranteed loans as a percentage of total loans and advances to customer decreased from 35.9% as of December 31, 2010 to 32.2% as of June 30, 2013.

Borrower Concentration

PRC banking laws and regulations impose a lending limit of 10% of our regulatory capital to any single borrower. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our largest loan exposure to a single borrower was 9.1%, 6.4%, 5.0% and 4.6% of our regulatory capital, respectively. As of June 30, 2013, the aggregate amount of loans to our 10 largest single borrowers (excluding group borrowers) amounted to RMB9,440 million, accounting for 5.2% of total loans and advances to customers and 33.2% of our regulatory capital.

The table below sets forth the loans to the 10 largest single borrowers (excluding group borrowers) as of June 30, 2013, all of which were classified as performing.

	Industry	As of June 30, 2013 Amount	% of total loans	% of regulatory capital(1)
		(in millions of RMB, except percentages)		
Borrower A	Commerce and services	1,300	0.7%	4.6%
Borrower B	Public utilities	1,170	0.6	4.1
Borrower C	Manufacturing	1,146	0.6	4.0
Borrower D	Manufacturing	1,000	0.5	3.5
Borrower E	Public utilities	902	0.5	3.2
Borrower F	Commerce and services	872	0.5	3.1
Borrower G	Public utilities	833	0.5	2.9
Borrower H	Public utilities	802	0.4	2.8
Borrower I	Construction	715	0.4	2.5
Borrower J	Public utilities	700	0.4	2.5
Total		**9,440**	**5.2%**	**33.2%**

Note:

(1) Represents loan amounts as a percentage of our regulatory capital, calculated in accordance with the Provisional Administrative Measures for the Capital Management of Commercial Banks that became effective on January 1, 2013. For a calculation of our regulatory capital as of June 30, 2013, see "Financial Information—Capital Resources—Capital Adequacy."

PRC banking guidelines impose a credit limit of 15% of our regulatory capital to any single group borrower. We have implemented policies and procedures designed to identify borrower applicants belonging to the same group in our credit approval process. As of June 30, 2013, the aggregate amount of loans to our 10 largest group borrowers (excluding single borrowers) amounted to RMB14,504 million, accounting for 8.0% of total loans and advances to customers and 50.9% of our regulatory capital.

The table below sets forth the loans to the 10 largest group borrowers (excluding single borrowers) as of June 30, 2013, all of which were classified as performing.

		As of June 30, 2013		
	Industry	Amount	% of total loans	% of regulatory capital(1)
		(in millions of RMB, except percentages)		
Borrower A	Energy and chemical	1,814	1.0%	6.4%
Borrower B	Public utilities	1,753	1.0	6.2
Borrower C	Public utilities	1,639	0.9	5.8
Borrower D	Energy and chemical	1,482	0.8	5.2
Borrower E	Construction	1,453	0.8	5.1
Borrower F	Public utilities	1,380	0.8	4.8
Borrower G	Commerce and services	1,372	0.7	4.8
Borrower H	Real Estate	1,293	0.7	4.5
Borrower I	Public utilities	1,263	0.7	4.4
Borrower J	Public utilities	1,055	0.6	3.7
Total		**14,504**	**8.0%**	**50.9%**

Note:

(1) Represents loan amounts as a percentage of our regulatory capital, calculated in accordance with the Provisional Administrative Measures for the Capital Management of Commercial Banks that became effective on January 1, 2013. For a calculation of our regulatory capital as of June 30, 2013, see "Financial Information—Capital Resources—Capital Adequacy."

Maturity Profile of Our Loan Portfolio

The table below sets forth our loan products by remaining maturity as of June 30, 2013.

	As of June 30, 2013				
	Due in one year or less	Due between one and five years	Due over five years	Overdue(1)	Total
	(in millions of RMB)				
Corporate loans	87,016	32,192	11,041	932	131,181
Retail loans	10,019	2,948	28,752	126	41,845
Discounted bills	10,031	—	—	—	10,031
Total loans and advances to customers	**107,066**	**35,140**	**39,793**	**1,058**	**183,057**

Note:

(1) Includes loans for which part or all of the principals is overdue.

As of June 30, 2013, 58.5% of total loans and advances to customers had maturities of one year or less. Loans due in one year or less primarily consisted of short-term corporate loans. The majority of our retail loans had remaining maturities of over five years, primarily because residential mortgage loans represented the largest component of our retail loan portfolio, which generally have longer terms.

Loan Interest Rate Profile

The PBOC regulates interest rates on deposits and loans. Prior to July 20, 2013, China's commercial banks may negotiate interest rates on loans and deposits within a permitted range of the PBOC benchmark interest rates. Since July 20, 2013, China's commercial banks have been allowed to determine their own lending rates (other than the interest rates on residential mortgage loans) based on prevailing market conditions. We generally set floating interest rates on medium- and long-term loans and we generally reset the interest rates of such loans (i) following a change to the applicable PBOC benchmark rates or (ii) in accordance with the terms of the loan agreements, which are determined based on our negotiation with customers and our assessment of customers' overall condition. We generally set fixed interest rates on loans with a maturity of one year or less.

Asset Quality of Our Loan Portfolio

We measure and monitor the asset quality of our loan portfolio through our loan classification system. We classify our loans using a five-category loan classification system based on the CBRC guidelines. See "Regulation and Supervision—Loan Classification, Allowance and Write-offs—Loan Classification." We have also adopted a 12-grade loan classification system for our corporate loans to further refine the five-category loan classification system, including four, three, two, two and one grade(s) for loans under the "pass," "special mention," "substandard," "doubtful" and "loss" categories, respectively. See "Risk Management—Credit Risk Management—Credit Risk Management for Corporate Loans" for a description of our internal loan classification system.

Loan Classification Criteria

We apply criteria derived from the CBRC guidelines in classifying our loan portfolio. These criteria are designed to assess the likelihood of repayment by a borrower and the collectability of principal and interest on a loan.

Corporate Loans and Discounted Bills

We classify corporate loans and discounted bills based on (i) the borrower's ability to repay the loan, (ii) the borrower's repayment history, (iii) the borrower's willingness to repay the loan, (iv) the profitability of the project financed by the loan, (v) the net realizable value of the collateral, (vi) guarantees provided for the loan and (vii) legal responsibilities for repayment of the loan. Set forth below are the key factors for each loan classification, which is not intended to be a complete list of all factors considered by us in classifying our loan portfolio.

Pass. We classify loans as "pass" if the borrower has been performing its obligations and there are no signs that the borrower will default on principal and interest.

Special mention. We classify loans as "special mention" if the borrower is currently able to make principal and interest payments, but there are potential weaknesses that may affect the borrower's ability to repay in the future, such as:

- decreases in cash flow and revenue or signs of insufficient liquidity;
- adverse market or industry developments that may affect the borrower's operations or ability to repay the loan;
- mergers, acquisitions, spin-offs, reorganization or asset restructuring;
- adverse changes to the borrower's principal shareholders, subsidiaries or senior management;
- budget overruns, changes in construction designs or delays in the schedules of projects financed by the loan;

- decrease in collateral value, or loss of control over the collateral;
- material adverse changes to the guarantor's operations or financial conditions;
- failure of the borrower to use the loan for its intended purpose; or
- principal or interest payments overdue for 90 days or less.

Substandard. We classify loans as "substandard" if the borrower's revenues from normal business operation are insufficient to repay the loan, and losses (expected to be up to 40% of the outstanding loan balance) may ensue even after guarantees are enforced. Loans are generally classified as "substandard" under the following circumstances:

- the borrower is experiencing prolonged financial difficulties that affect its ability to continue its business;
- the borrower is unlikely to obtain new funding and is unable to service its debt obligations to other lenders;
- the borrower has obtained the loan through illegal means; or
- principal or interest payments overdue between 90 and 180 days.

Doubtful. We classify loans as "doubtful" if the borrower cannot repay principal and interest in full and significant losses (expected to be up to 80% of the outstanding loan balance) will ensue even after guarantees are enforced. Loans classified as "doubtful" generally exhibit the following characteristics:

- the borrower's operations have been wholly or partially suspended;
- the fixed asset projects financed by the loan are suspended or halted;
- the borrower is insolvent and is unable to repay the loan;
- we have taken legal measures but expect to incur significant losses even after the exercise of legal remedies; or
- principal or interest payments overdue for more than 180 days.

Loss. We classify loans as "loss" if none, or only a minimal amount of principal and interest is likely to be collectible after exhausting all collection efforts and taking advantage of all available legal remedies. Loans classified as "loss" generally exhibit the following characteristics:

- the borrower is bankrupt, dissolved, or has otherwise ceased its business operations;
- the borrower incurs significant losses caused by accidents or natural disasters and fails to get full reimbursement from the insurance company;
- the loan is written-off; or
- the borrower has committed fraud and is being investigated by the authorities, and we are unable to repay the loan after exhausting all possible measures.

Retail Loans

In applying the loan classification criteria to retail loans, we primarily consider, among others, the length of time by which payments of principal or interest are overdue and the collateral for the loans.

The following table sets forth the key factors we consider when classifying retail loans (other than credit card overdrafts).

Security type	Pass	Special mention	Substandard	Doubtful	Loss
Pledge	Overdue for 90 days or less	Overdue between 91 days and 180 days	Overdue between 181 days and 365 days	Overdue for more than 365 days	—
Mortgage	Overdue for 30 days or less	Overdue between 31 days and 180 days	Overdue between 181 days and 365 days	Overdue for more than 365 days	—
Guarantee	Not due	Overdue for 90 days or less	Overdue between 91 days and 365 days	Overdue for more than 365 days	—
Unsecured	Not due	Overdue for 90 days or less	Overdue between 91 days and 180 days	Overdue between 181 days and 365 days	Overdue for more than 365 days

The following table sets forth the key factors we consider when classifying credit card overdrafts.

Pass	Not due
Special mention	Overdue between 1 and 90 days
Substandard	Overdue between 91 days and 120 days
Doubtful	Overdue between 121 days and 180 days
Loss	Overdue for more than 180 days

Loans and Advances to Customers by Loan Classification

The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Pass	111,056	94.9%	133,336	97.0%	159,017	97.1%	178,153	97.3%
Special mention	5,281	4.5	3,423	2.5	3,829	2.4	3,739	2.0
Substandard[(1)]	455	0.4	477	0.3	839	0.5	1,083	0.6
Doubtful[(1)]	125	0.1	101	0.1	70	0.0	67	0.1
Loss[(1)]	117	0.1	76	0.1	40	0.0	15	0.0
Total loans and advances to customers	**117,034**	**100.0%**	**137,413**	**100.0%**	**163,795**	**100.0%**	**183,057**	**100.0%**
Non-performing loan ratio[(2)]		**0.60%**		**0.48%**		**0.58%**		**0.64%**

Notes:
(1) We consider loans classified as "substandard," "doubtful" and "loss" as non-performing loans, which are equivalent to "impaired loans and advances" in Note 46.1.5(g) to the Accountant's Report in Appendix I to this document.
(2) Calculated by dividing non-performing loans by total loans and advances to customers.

Changes in the Asset Quality of Our Loan Portfolio

The table below sets forth the changes in the outstanding balance of non-performing loans as of the dates indicated.

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Beginning of period	**895**	**697**	**654**	**949**
Additions(1)	83	186	486	363
Deducted by				
Write-offs	(21)	(68)	(90)	(70)
Upgrades	(3)	(6)	(3)	(9)
Recoveries	(257)	(155)	(98)	(68)
End of period	**697**	**654**	**949**	**1,165**

Note:
(1) Includes downgrades from performing loans to non-performing loans.

The balance of non-performing loans increased by 45.1% from RMB654 million as of December 31, 2011 to RMB949 million as of December 31, 2012 and further increased by 22.8% to RMB1,165 million as of June 30, 2013. The non-performing loan ratio of our loan portfolio increased from 0.48% as of December 31, 2011 to 0.58% as of December 31, 2012 and further increased to 0.64% as of June 30, 2013. The increases in non-performing loans and non-performing loan ratio were primarily due to a deterioration in the financial condition of some SME borrowers and borrowers in industries with excess capacity due to unfavorable economic and business environment.

Non-performing Loans by Product Type

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

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)											
Corporate loans												
Short-term loans	267	38.3%	0.56%	190	29.1%	0.32%	372	39.2%	0.58%	609	52.3%	0.79%
Medium- and long- term loans	325	46.6	0.82	381	58.2	0.93	466	49.1	0.88	431	37.0	0.80
Subtotal	592	84.9%	0.68	571	87.3%	0.57	838	88.3%	0.72	1,040	89.3%	0.79
Retail loans												
Residential mortgage loans	25	3.6%	0.16	24	3.7%	0.12	41	4.3%	0.19	49	4.2%	0.19
Personal business loans	48	6.9	0.62	31	4.7	0.32	41	4.3	0.34	44	3.8	0.32
Credit card overdrafts	1	0.1	1.04	1	0.2	0.61	2	0.2	0.25	8	0.7	0.62
Personal consumption loans	31	4.5	1.67	27	4.1	2.09	27	2.9	2.53	24	2.1	2.43
Subtotal	105	15.1%	0.42	83	12.7%	0.27	111	11.7%	0.32	125	10.7%	0.30
Discounted bills	—	—	—	—	—	—	—	—	—	—	—	—
Total non-performing loans	**697**	**100.0%**	**0.60%**	**654**	**100.0%**	**0.48%**	**949**	**100.0%**	**0.58%**	**1,165**	**100.0%**	**0.64%**

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

The non-performing loan ratio of corporate loans increased from 0.57% as of December 31, 2011 to 0.72% as of December 31, 2012 and further increased to 0.79% as of June 30, 2013, primarily reflecting a deterioration in the financial condition of some SME borrowers and borrowers in industries with excess capacity due to unfavorable economic and business environment. As loans to SME customers are generally short-terms in nature, the non-performing loan ratio of short-term loans increased from 0.32% as of December 31, 2011 to 0.58% as of December 31, 2012 and further increased to 0.79% as of June 30, 2013.

The non-performing loan ratio of retail loans decreased from 0.42% as of December 31, 2010 to 0.30% as of June 30, 2013, primarily due to (i) our implementation of stricter credit assessment standards for granting personal loans and (ii) our increased efforts to recover non-performing loans.

Non-performing Corporate Loans by Industry

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

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)											
Commerce and services	353	59.7%	2.02%	291	50.9%	1.24%	531	63.3%	1.58%	669	64.3%	1.67%
Manufacturing	166	28.0	0.70	244	42.8	0.77	222	26.5	0.61	312	30.0	0.79
Public utilities	2	0.3	0.01	1	0.2	0.01	0	0.0	0.00	0	0.0	0.00
Real estate	8	1.4	0.13	7	1.2	0.11	3	0.4	0.03	1	0.1	0.01
Construction	16	2.7	0.32	12	2.1	0.16	0	0.0	0.00	20	1.9	0.17
Energy and chemical	1	0.2	0.03	0	0.0	0.00	0	0.0	0.00	10	1.0	0.23
Transportation	3	0.5	0.08	3	0.5	0.09	7	0.8	0.16	1	0.1	0.04
Education and media	6	1.0	0.37	5	0.9	0.34	21	2.5	1.27	18	1.7	0.75
Catering and tourism	9	1.5	0.78	3	0.5	0.22	9	1.1	0.58	4	0.4	0.25
Finance	0	0.0	0.00	0	0.0	0.00	0	0.0	0.00	0	0.0	0.00
Others(2)	28	4.7	5.59	5	0.9	0.72	45	5.4	4.00	5	0.5	0.31
Total non-performing corporate loans	**592**	**100.0%**	**0.68%**	**571**	**100.0%**	**0.57%**	**838**	**100.0%**	**0.72%**	**1,040**	**100.0%**	**0.79%**

Notes:
(1) Calculated by dividing non-performing loans by loans and advances to customers in each industry.
(2) Primarily consists of farming, forestry, husbandry and fishing industries.

As of June 30, 2013, a significant portion of non-performing corporate loans was concentrated in the commerce and services and manufacturing industries. As of June 30, 2013, non-performing corporate loans to borrowers in these two industries, in the aggregate, accounted for 94.3% of total non-performing corporate loans.

The relatively higher non-performing loan ratio of the commerce and services industry was primarily due to a deterioration in the financial condition of some borrowers in the steel trading industry as a result of the recent slowdown in China's economic growth and changes in PRC macroeconomic policies.

The non-performing loan ratio of the manufacturing industry increased from 0.70% as of December 31, 2010 to 0.79% as of June 30, 2013, primarily reflecting a deterioration in the financial condition of some SME borrowers in the manufacturing industry due to unfavorable economic and business environment.

The non-performing loan ratio of the real estate industry decreased from 0.13% as of December 31, 2010 to 0.01% as of June 30, 2013, primarily due to our implementation of stricter credit assessment standards for granting loans to borrowers in that industry.

Non-performing Corporate Loans by Size of Borrowers

The table below sets forth non-performing loans by the size of borrowers as of the dates indicated.

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)											
SME	561	94.8%	0.81%	567	99.3%	0.73%	837	99.9%	0.95%	1,027	98.7%	1.04%
Non-SME	31	5.2	0.17	4	0.7	0.02	1	0.1	0.00	13	1.3	0.04
Total non-performing corporate loans	**592**	**100.0%**	**0.68%**	**571**	**100.0%**	**0.57%**	**838**	**100.0%**	**0.72%**	**1,040**	**100.0%**	**0.79%**

Note:
(1) Calculated by dividing non-performing loans by loans and advances to customers in each category.

Non-performing Loans by Geography

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

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)											
Anhui	697	100.0%	0.64%	654	100.0%	0.51%	949	100.0%	0.62%	1,118	96.0%	0.66%
Jiangsu	—	—	—	—	—	—	—	—	—	47	4.0	0.36
Total non-performing loans	**697**	**100.0%**	**0.60%**	**654**	**100.0%**	**0.48%**	**949**	**100.0%**	**0.58%**	**1,165**	**100.0%**	**0.64%**

Note:
(1) Calculated by dividing non-performing loans by loans and advances to customers in each region.

Non-performing Loans by Collateral

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

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)											
Collateralized loans	385	55.2%	0.71%	434	66.4%	0.71%	514	54.2%	0.68%	610	52.3%	0.67%
Pledged loans	38	5.5	0.56	19	2.9	0.16	175	18.4	0.86	219	18.9	1.11
Guaranteed loans	152	21.8	0.36	125	19.1	0.26	200	21.1	0.37	279	23.9	0.47
Unsecured loans	122	17.5	0.89	76	11.6	0.47	60	6.3	0.44	57	4.9	0.42
Total non-performing loans	**697**	**100.0%**	**0.60%**	**654**	**100.0%**	**0.48%**	**949**	**100.0%**	**0.58%**	**1,165**	**100.0%**	**0.64%**

Note:
(1) Calculated by dividing non-performing loans by loans and advances to customers in each category.

As a result of the implementation of stricter credit assessment standards for granting unsecured loans, the non-performing loan ratio of unsecured loans decreased from 0.89% as of December 31, 2010 to 0.42% as of June 30, 2013.

The non-performing loan ratio of pledged loans increased from 0.16% as of December 31, 2011 to 0.86% as of December 31, 2012 and further increased to 1.11% as of June 30, 2013, primarily due to an increase in non-performing loans to some borrowers in the steel trading industry, which were primarily secured by pledges.

Ten Largest Non-performing Borrowers

The table below sets forth the borrowers with the 10 largest non-performing loan balances outstanding as of June 30, 2013.

	As of June 30, 2013				
	Industry	Classification	Amount	% of total non-performing loans	% of regulatory capital(1)
	(in millions of RMB, except percentages)				
Borrower A	Commerce and services	Substandard	171	14.7%	0.6%
Borrower B	Manufacturing	Substandard	148	12.7	0.5
Borrower C	Commerce and services	Substandard	80	6.8	0.3
Borrower D	Commerce and services	Substandard	51	4.4	0.2
Borrower E	Commerce and services	Substandard	50	4.3	0.2
Borrower F	Manufacturing	Substandard	34	2.9	0.1
Borrower G	Commerce and services	Substandard	20	1.7	0.1
Borrower H	Commerce and services	Substandard	20	1.7	0.1
Borrower I	Commerce and services	Substandard	20	1.7	0.1
Borrower J	Commerce and services	Substandard	20	1.7	0.1
Total			**614**	**52.6%**	**2.3%**

Note:
(1) Represents loan amounts as a percentage of our regulatory capital, calculated in accordance with the Provisional Administrative Measures for the Capital Management of Commercial Banks that became effective on January 1, 2013. For a calculation of our regulatory capital as of June 30, 2013, see "Financial Information—Capital Resources—Capital Adequacy."

Loan Aging Schedule

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

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Loans not overdue	116,522	99.6%	136,860	99.6%	162,875	99.4%	181,614	99.2%
Loans past due for:								
1 to 90 days	103	0.1	250	0.2	470	0.3	663	0.4
91 days to 1 year	123	0.1	54	0.0	258	0.2	626	0.3
1 to 3 years	74	0.0	92	0.1	103	0.1	116	0.1
3 years or more	212	0.2	157	0.1	89	0.0	38	0.0
Subtotal	512	0.4%	553	0.4%	920	0.6%	1,443	0.8%
Total loans and advances to customers	**117,034**	**100.0%**	**137,413**	**100.0%**	**163,795**	**100.0%**	**183,057**	**100.0%**

Allowance for Impairment Losses on Loans and Advances to Customers

We assess our loan portfolio to determine and recognize allowance for impairment losses on Loans and Advances to Customers in accordance with IAS 39. Our loans are reported net of allowance for impairment losses on our consolidated statement of financial position.

We perform individual assessments to determine the allowance for impairment losses against individually significant loans if there is objective evidence of impairment as a result of events occurring after the initial recognition of loans that affect the estimated future cash flows of the loans. The allowance for impairment losses of loans is measured as the difference between the carrying amounts and the estimated recoverable amounts of the loans. The estimated recoverable amounts are the present value of the estimated future cash flows of the loans, including the realizable value of the collateral.

Individually significant loans for which no evidence of impairment has been individually identified, including loans classified as "pass" and "special mention," are assessed collectively for the purpose of determining the allowance for impairment losses. We determine the allowance for impairment losses of collectively assessed loans based on our historical loss experience with similar loan portfolio and the current economic conditions.

Allowance for Impairment Losses on Loans and Advances to Customers by Loan Classification

The table below sets forth allowance for impairment losses on loans and advances to customers by loan classification as of the dates indicated.

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	Allowance to loans(1)	Amount	% of total	Allowance to loans(1)	Amount	% of total	Allowance to loans(1)	Amount	% of total	Allowance to loans(1)
	(in millions of RMB, except percentages)											
Pass	1,825	61.4%	1.64%	2,701	77.4%	2.03%	2,897	75.2%	1.82%	3,298	78.7%	1.85%
Special mention	691	23.2	13.08	372	10.7	10.87	516	13.4	13.48	366	8.7	9.78
Substandard	236	7.9	51.87	253	7.2	53.04	345	9.0	41.12	459	11.0	42.40
Doubtful	108	3.6	86.40	88	2.5	87.13	55	1.4	78.57	53	1.3	79.70
Loss	116	3.9	100.00	76	2.2	100.00	40	1.0	100.00	15	0.3	100.00
Total allowance	**2,976**	**100.0%**	**2.54%**	**3,490**	**100.0%**	**2.54%**	**3,853**	**100.0%**	**2.35%**	**4,191**	**100.0%**	**2.29%**

Note:

(1) Calculated by dividing the amount of allowance for impairment losses by loans and advances to customers in each category.

Changes to the Allowance for Impairment Losses on Loans and Advances to Customers

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

	Amount
	(in millions of RMB)
As of January 1, 2010	**2,434**
New allowance	582
Amount written off as uncollectible	(21)
Transfers out	—
Unwinding of discount on allowance(1)	(19)
As of December 31, 2010	**2,976**
New allowance	598
Amount written off as uncollectible	(68)
Transfers out	—
Unwinding of discount on allowance(1)	(16)
As of December 31, 2011	**3,490**
New allowance	469
Amount written off as uncollectible	(90)
Transfers out	—
Unwinding of discount on allowance(1)	(16)
As of December 31, 2012	**3,853**
New allowance	425
Amount written off as uncollectible	(70)
Transfers out	—
Unwinding of discount on allowance(1)	(17)
As of June 30, 2013	**4,191**

Note:

(1) Represents our recognition of increase in the present value of non-performing loans as interest income.

Allowance for Impairment Losses on Loans and Advances to Customers by Product Type

The table below sets forth allowance for impairment losses on loans and advances to customers by product type as of the dates indicated.

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	Allowance to loans(1)	Amount	% of total	Allowance to loans(1)	Amount	% of total	Allowance to loans(1)	Amount	% of total	Allowance to loans(1)
	(in millions of RMB, except percentages)											
Corporate loans												
Short-term loans	1,054	35.4%	2.21%	1,407	40.3%	2.37%	1,488	38.6%	2.33%	2,051	49.0%	2.67%
Medium- and long-term loans	1,210	40.7	3.04	1,148	32.9	2.81	1,503	39.0	2.83	1,141	27.2	2.10
Subtotal	2,264	76.1%	2.59	2,555	73.2%	2.55	2,991	77.6%	2.56	3,192	76.2%	2.43
Retail loans												
Residential mortgage loans	162	5.4%	1.06	258	7.4%	1.32	280	7.3%	1.31	320	7.6%	1.24
Personal business loans	108	3.7	1.40	136	3.9	1.39	160	4.1	1.34	185	4.4	1.33
Credit card overdrafts	1	0.0	1.85	2	0.1	2.25	11	0.3	1.58	24	0.6	1.95
Personal consumption loans	45	1.5	2.42	47	1.3	3.64	39	1.0	3.66	35	0.8	3.54
Subtotal	316	10.6%	1.27	443	12.7%	1.45	490	12.7%	1.40	564	13.4%	1.35
Discounted bills	18	0.6%	0.40	19	0.5%	0.29	22	0.6%	0.18	55	1.3%	0.55
Off-balance sheet commitments	378	12.7%	1.20	473	13.6%	1.08	350	9.1%	0.67	380	9.1%	0.68
Total allowance	**2,976**	**100.0%**	**2.54%**	**3,490**	**100.0%**	**2.54%**	**3,853**	**100.0%**	**2.35%**	**4,191**	**100.0%**	**2.29%**

Note:
(1) Calculated by dividing the amount of allowance for impairment losses by loans and advances to customers in each product category.

Allowance for Impairment Losses on Corporate Loans by Industry

The table below sets forth allowance for impairment losses for corporate loans by industry as of the dates indicated.

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	Allowance to NPLs(1)	Amount	% of total	Allowance to NPLs(1)	Amount	% of total	Allowance to NPLs(1)	Amount	% of total	Allowance to NPLs(1)
	(in millions of RMB, except percentages)											
Commerce and services	593	26.2%	167.99%	648	25.3%	223.45%	995	33.3%	187.57%	1,260	39.5%	188.37%
Manufacturing	630	27.8	379.52	817	32.0	334.84	1,169	39.1	526.56	1,079	33.8	345.58
Public utilities	498	22.0	24,900.00	469	18.4	46,900.00	199	6.6	—	163	5.1	163,522.19
Real estate	137	6.0	1,712.50	129	5.0	1,842.86	115	3.9	3,843.54	141	4.4	14,362.90
Construction	119	5.3	743.75	177	6.9	1,475.00	127	4.3	—	154	4.8	764.14
Energy and chemical	84	3.7	8,400.00	127	5.0	—	223	7.4	—	252	7.9	2,520.58
Transportation	79	3.5	2,633.33	69	2.7	2,300.00	57	1.9	809.41	48	1.5	3,003.16
Education and media	39	1.7	650.00	40	1.6	800.00	34	1.1	160.94	34	1.1	190.00
Catering and tourism	33	1.5	366.67	35	1.4	1,166.67	23	0.8	254.03	27	0.8	712.12
Finance	16	0.7	—	26	1.0	—	19	0.6	—	12	0.4	—
Others(2)	36	1.6	128.57	18	0.7	360.00	30	1.0	66.27	22	0.7	424.79
Total allowance for corporate loans	**2,264**	**100.0%**	**382.43%**	**2,555**	**100.0%**	**448.25%**	**2,991**	**100.0%**	**356.92%**	**3,192**	**100.0%**	**306.78%**

Notes:
(1) Calculated by dividing the amount of allowance for impairment losses by non-performing loans in each industry.
(2) Primarily consists of farming, forestry, husbandry and fishing industries.

Allowance for Impairment Losses on Loans and Advances to Customers by Geography

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

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	Allowance to NPLs(1)	Amount	% of Total	Allowance to NPLs(1)	Amount	% of total	Allowance to NPLs(1)	Amount	% of total	Allowance to NPLs(1)
	(in millions of RMB, except percentages)											
Anhui	2,790	93.7%	400.29%	3,272	93.8%	500.31%	3,619	93.9%	381.35%	3,936	93.9%	352.25%
Jiangsu	186	6.3	—	218	6.2	—	234	6.1	—	255	6.1	537.01
Total allowance	**2,976**	**100.0%**	**426.80%**	**3,490**	**100.0%**	**533.33%**	**3,853**	**100.0%**	**406.00%**	**4,191**	**100.0%**	**359.82%**

Note:
(1) Calculated by dividing the amount of allowance for impairment losses by non-performing loans in each region.

Investment Securities and Financial Assets Held for Trading

Investment securities and financial assets held for trading consist of Renminbi-denominated securities. As of December 31, 2010, 2011 and 2012 and June 30, 2013, we had investment securities and financial assets held for trading of RMB43,663 million, RMB47,812 million, RMB57,056 million and RMB68,936 million, respectively, accounting for 20.9%, 18.6%, 17.6% and 16.8% of total assets, respectively. We classify investment securities and financial assets held for trading into (i) available-for-sale financial assets, (ii) held-to-maturity investments, (iii) loans and receivables and (iv) financial assets held for trading, primarily based on our intentions with respect to these assets.

The table below sets forth the components of investment securities and financial assets held for trading as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Available-for-sale financial assets	20,866	47.8%	18,357	38.4%	25,580	44.8%	31,122	45.2%
Held-to-maturity investments	13,191	30.2	20,604	43.1	26,063	45.7	25,712	37.3
Loans and receivables	6,888	15.8	3,815	8.0	1,814	3.2	8,433	12.2
Financial assets held for trading	2,718	6.2	5,036	10.5	3,599	6.3	3,669	5.3
Total investment securities and financial assets held for trading	**43,663**	**100.0%**	**47,812**	**100.0%**	**57,056**	**100.0%**	**68,936**	**100.0%**

As of June 30, 2013, investment securities and financial assets held for trading amounted to RMB68,936 million, an increase of 20.8% from RMB57,056 million as of December 31, 2012. Investment securities and financial assets held for trading increased by RMB9,244 million in 2012 and RMB4,149 million in 2011, representing a 19.3% and 9.5% increase over 2011 and 2010, respectively. The increases in investment securities and financial assets held for trading primarily reflected the growth of total assets and our allocation of capital across different asset categories.

The table below sets forth investment securities and financial assets held for trading by type of investment as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Debt securities	37,067	84.9%	41,998	87.8%	50,356	88.3%	55,552	80.6%
Equity securities	15	0.0	19	0.0	16	0.0	16	0.0
Wealth management products issued by other financial institutions	6,455	14.8	3,513	7.3	1,595	2.8	8,253	12.0
Asset management schemes managed by securities firms or trust companies	126	0.3	2,282	4.8	5,089	8.9	5,115	7.4
Total investment securities and financial assets held for trading	**43,663**	**100.0%**	**47,812**	**100.0%**	**57,056**	**100.0%**	**68,936**	**100.0%**

Debt Securities

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Government bonds	11,016	29.7%	14,077	33.5%	16,266	32.3%	18,818	33.9%
Bonds issued by other banks and financial institutions	16,418	44.3	14,212	33.8	19,569	38.9	24,754	44.6
Corporate bonds	5,496	14.8	7,420	17.7	9,925	19.7	10,031	18.0
PBOC bills	4,137	11.2	6,289	15.0	4,596	9.1	1,949	3.5
Total debt securities	**37,067**	**100.0%**	**41,998**	**100.0%**	**50,356**	**100.0%**	**55,552**	**100.0%**

PBOC bills as a percentage of total debt securities increased from 11.2% as of December 31, 2010 to 15.0% as of December 31, 2011, primarily due to an increase in the issuance volume of the PBOC bills. PBOC bills as a percentage of total debt securities decreased from 15.0% as of December 31, 2011 to 9.1% as of December 31, 2012 and further decreased to 3.5% as of June 30, 2013, primarily due to a decrease in the issuance volume of the PBOC bills since 2012.

Equity Securities

As of June 30, 2013, our available-for-sale equity securities amounted to RMB16 million, which primarily consisted of equity investments in China UnionPay, Shanghai City Commercial Bank Clearing Center and Hefei Meiling Co. Ltd.

Maturity Profile of Our Investment Portfolio

The table below sets forth investment securities and financial assets held for trading (excluding equity securities) by remaining maturity as of June 30, 2013.

	As of June 30,					
	Due in 1 month or less	Due between 1 and 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due over 5 years	Total
	(in millions of RMB)					
Available-for-sale financial assets	3,114	3,259	1,595	14,646	8,492	31,106
Held-to-maturity investments	1,370	561	1,659	12,882	9,240	25,712
Loans and receivables	3,068	1,042	4,271	52	—	8,433
Financial assets held for trading	21	110	180	2,263	1,095	3,669
Total investment securities and financial assets held for trading	**7,573**	**4,972**	**7,705**	**29,843**	**18,827**	**68,920**

Carrying Value and Market Value

All investment securities classified as available-for-sale and financial assets held for trading are stated at market value or fair value. The table below sets forth the carrying value and market value of held-to-maturity securities and loans and receivables as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Carrying value	Market/fair value	Carrying value	Market/fair value	Carrying value	Market/fair value	Carrying value	Market/fair value
	(in millions of RMB)							
Held-to-maturity securities	13,191	13,026	20,604	20,616	26,063	26,014	25,712	25,664
Loans and receivables	6,888	6,850	3,815	3,815	1,814	1,795	8,433	8,418

Investment Concentration

The table below sets forth our ten largest holdings of investment securities and financial assets held for trading as of June 30, 2013.

		As of June 30, 2013			
	Issuer	Carrying value	% of total investment portfolio	% of total shareholders' equity[(1)]	Market/fair value
		(in millions of RMB, except percentages)			
Investment A	China Everbright Bank	2,312	3.4%	10.4%	2,312
Investment B	PBOC Head Office	1,200	1.7	5.4	1,199
Investment C	Bank of Shanghai	1,019	1.5	4.6	1,019
Investment D	Bank of Shanghai	1,008	1.5	4.5	1,008
Investment E	Bank of Shanghai	1,008	1.5	4.5	1,008
Investment F	Bank of Shanghai	1,008	1.5	4.5	1,008
Investment G	MOF	940	1.4	4.3	939
Investment H	China Development Bank	874	1.3	4.0	874
Investment I	Shanghai Rural Commercial Bank	800	1.2	3.6	798
Investment J	Agricultural Development Bank of China	767	1.1	3.5	767
Total		**10,936**	**16.1%**	**49.3%**	**10,932**

Note:
(1) For a calculation of total shareholders' equity, see "Financial Information—Capital Resources—Shareholders' Equity."

Other Components of Assets

Other components of assets primarily include (i) cash and balances with central bank, (ii) financial assets held under resale agreements, (iii) due from banks and other financial institutions and (iv) placements with and loans to banks and other financial institutions.

Cash and balances with central bank primarily consist of cash, statutory deposit reserves and surplus deposit reserves. Statutory deposit reserves represent the minimum amount of cash we are required to deposit with the PBOC, which is determined as a percentage of total deposits from customers. Surplus deposit reserves are deposits with the PBOC in excess of statutory deposit reserves. Cash and balances with central bank increased by 3.3% from RMB55,829 million in 2011 to

RMB57,649 million in 2012, and further increased by 3.5% to RMB 59,650 million as of June 30, 2013, primarily due to an increase in statutory deposit reserves, resulting from the growth of deposits from customers, which was partially offset by the decreases in the statutory deposit reserve ratio in 2012. Cash and balances with central bank increased by 61.4% from RMB34,580 million in 2010 to RMB55,829 million in 2011, primarily due to an increase in statutory deposit reserves, resulting from the growth of deposits from customers and the increases in the statutory deposit reserve ratio in 2011.

Financial assets held under resale agreements amounted to RMB10,543 million, RMB5,317 million, RMB38,198 million and RMB92,281 million as of December 31, 2010, 2011 and 2012 and June 30, 2013. Since 2012, we have significantly increased the scale of repurchase and reverse repurchase transactions to earn spread income. As a result, financial assets held under resale agreements as a percentage of total assets increased from 2.1% as of December 31, 2011 to 11.8% as of December 31, 2012 and further increased to 22.5% as of June 30, 2013.

Due from banks and other financial institutions represent our deposits with other banks and financial institutions. As of December 31, 2010, 2011 and 2012 and June 30, 2013, amounts due from banks and other financial institutions amounted to RMB1,496 million, RMB7,076 million, RMB3,834 million and RMB4,167 million, respectively, accounting for 0.7%, 2.8%, 1.2% and 1.0% of total assets, respectively. The fluctuation in the amount due from banks and other financial institutions as of these dates was primarily the result of efforts to manage our balance sheet in response to changes in interbank money market interest rates and our liquidity needs. Amounts due from banks and other financial institutions increased from RMB1,496 million as of December 31, 2010 to RMB7,076 million as of December 31, 2011, primarily due to our launch of money market wealth management products in 2011.

We lend funds to banks and other financial institutions through the interbank lending market. As of December 2010, 2011 and 2012 and June 30, 2013, placements with and loans to banks and other financial institutions amounted to RMB1,237 million, RMB3,581 million, RMB2,813 million and RMB893 million, respectively, accounting for 0.6%, 1.4%, 0.9% and 0.2% of total assets, respectively.

LIABILITIES AND SOURCES OF FUNDS

The table below sets forth the components of total liabilities as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Deposits from customers	159,582	82.0%	203,580	84.8%	239,543	78.8%	252,137	65.1%
Financial assets sold under repurchase agreements	20,798	10.7	16,185	6.7	47,883	15.8	100,670	26.0
Deposits from banks and other financial Institutions	9,822	5.1	9,323	3.9	5,965	2.0	19,700	5.1
Debt securities in issue	—	—	3,991	1.7	3,992	1.3	8,985	2.3
Placements from banks and other financial Institutions	1,263	0.6	3,535	1.5	898	0.3	903	0.2
Other liabilities(1)	3,154	1.6	3,284	1.4	5,462	1.8	5,005	1.3
Total liabilities	**194,619**	**100.0%**	**239,898**	**100.0%**	**303,743**	**100.0%**	**387,401**	**100.0%**

Note:

(1) Primarily consists of interest payable, accrued staff salaries and benefits, tax payable and derivative financial liabilities.

As of June 30, 2013, total liabilities amounted to RMB387,401 million, an increase of 27.5% from RMB303,743 million as of December 31, 2012. Total liabilities increased by RMB63,845 million in 2012 and RMB45,279 million in 2011, representing a 26.6% and 23.3% increase over 2011 and 2010, respectively. Deposits from customers are the largest component of total liabilities, accounting for 82.0%, 84.8%, 78.8%, and 65.1% of total liabilities as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively.

Deposits from Customers

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

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate deposits								
Demand	83,748	52.5%	97,480	47.9%	107,041	44.7%	101,649	40.3%
Time	27,134	17.0	38,983	19.1	52,943	22.1	60,662	24.1
Subtotal	110,882	69.5%	136,463	67.0%	159,984	66.8%	162,311	64.4%
Retail deposits								
Demand	15,999	10.0%	19,078	9.4%	21,960	9.2%	24,601	9.8%
Time	16,700	10.5	22,815	11.2	30,759	12.8	35,205	14.0
Subtotal	32,699	20.5%	41,893	20.6%	52,719	22.0%	59,806	23.7%
Others(1)	16,001	10.0%	25,224	12.4%	26,840	11.2%	30,020	11.9%
Total deposits from customers	**159,582**	**100.0%**	**203,580**	**100.0%**	**239,543**	**100.0%**	**252,137**	**100.0%**

Note:
(1) Primarily consists of pledged deposits held as collateral.

As of June 30, 2013, total deposits from customers amounted to RMB252,137 million, an increase of 5.3% from RMB239,543 million as of December 31, 2012. Total deposits from customers increased by RMB35,963 million in 2012 and RMB43,998 million in 2011, representing a 17.7% and 27.6% increase over 2011 and 2010, respectively.

Retail deposits represented 20.5%, 20.6%, 22.0% and 23.7% of total deposits from customers as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The increases in retail deposits as a percentage of total deposits from customers were primarily attributable to our marketing effort to expand our retail banking business.

Deposits from Customers by Currency

The table below sets forth deposits from customers by currency as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
RMB-denominated								
Corporate deposits	110,658	69.4%	135,872	66.7%	158,779	66.3%	161,783	64.2%
Retail deposits	32,617	20.4	41,892	20.6	52,718	22.0	59,804	23.7
Others(1)	15,983	10.0	25,222	12.4	26,837	11.2	29,949	11.9
Subtotal	159,258	99.8%	202,986	99.7%	238,334	99.5%	251,536	99.8%
Foreign currency-denominated								
Corporate deposits	224	0.1%	591	0.3%	1,205	0.5%	528	0.2%
Retail deposits	82	0.1	1	0.0	1	0.0	2	0.0
Others(1)	18	0.0	2	0.0	3	0.0	71	0.0
Subtotal	324	0.2%	594	0.3%	1,209	0.5%	601	0.2%
Total deposits from customers	**159,582**	**100.0%**	**203,580**	**100.0%**	**239,543**	**100.0%**	**252,137**	**100.0%**

Note:
(1) Primarily consists of pledged deposits held as collateral.

Deposits from Customers by Geography

We classify deposits from customers based on the geographic location of the branch that takes the deposit. There is generally a high correlation between the location of the depositor and the location of the branch taking the deposit. The table below sets forth deposits from customers by geography as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Anhui	151,360	94.8%	191,746	94.2%	224,218	93.6%	235,766	93.5%
Jiangsu	8,222	5.2	11,834	5.8	15,325	6.4	16,371	6.5
Total deposits from customers	**159,582**	**100.0%**	**203,580**	**100.0%**	**239,543**	**100.0%**	**252,137**	**100.0%**

Maturity Profile of Deposits from Customers

The table below sets forth our deposit products by remaining maturity as of June 30, 2013.

	As of June 30, 2013													
	Repayable on demand		Due less than 1 month		Due over 1 month up to 3 months		Due over 3 months up to 12 months		Due over 1 year up to 5 years		Due over 5 years		Total	
	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits
	(in millions of RMB, except percentages)													
Corporate deposits	103,755	41.2%	6,064	2.4%	8,395	3.3%	20,471	8.1%	22,026	8.8%	1,600	0.6%	162,311	64.4%
Retail deposits	25,741	10.2	5,092	2.0	7,681	3.0	16,227	6.4	5,064	2.0	1	0.0	59,806	23.6
Others[(1)]	6,830	2.7	3,182	1.3	7,441	3.0	12,275	4.9	292	0.1	0	0.0	30,020	12.0
Total deposits from customers	**136,326**	**54.1%**	**14,338**	**5.7%**	**23,517**	**9.3%**	**48,973**	**19.4%**	**27,382**	**10.9%**	**1,601**	**0.6%**	**252,137**	**100.0%**

Note:
(1) Primarily consists of pledged deposits held as collateral.

Subordinated Bonds

In April 2011, we issued an aggregate principal amount of RMB4.0 billion subordinated bonds. The bonds have a term of 15 years and bear a fixed interest rate of 6.55% per annum. We have an option to redeem the bond in full in 2021.

Financial Bonds

In March 2013, we issued two tranches of financial bonds with an aggregate principal amount of RMB5.0 billion to fund our lending to small businesses. The first tranche with an aggregate principal amount of RMB2.8 billion has a term of three years and bears a fixed interest rate of 4.30% per annum. The second tranche with an aggregate principal amount of RMB2.2 billion has a term of five years and bears a fixed interest rate of 4.50% per annum.

Other Components of Liabilities

Other components of liabilities primarily include (i) financial assets sold under repurchase agreements, (ii) deposits from banks and other financial institutions and (iii) placements from banks and other financial institutions. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our liabilities other than deposits from customers and debt securities in issue amounted to RMB35,037 million, RMB32,327 million, RMB60,208 million and RMB126,278 million, accounting for 18.0%, 13.5%, 19.8% and 32.6% of total liabilities, respectively. Financial assets sold under repurchasements as a percentage of total liabilities increased from 10.7% as of December 31, 2010 to 26.0% as of June 30, 2013, primarily attributable to our increased use of repurchase agreements to fund our purchases of bills under resale agreements to earn spread income. Deposits from banks and other financial institutions increased from RMB5,965 million as of December 31, 2012 to RMB19,700 million as of June 30, 2013 as we increased borrowings from banks and other financial institutions to meet our heightened liquidity needs.

The following discussion and analysis should be read in conjunction with the Accountant's Report in Appendix I, which has been prepared in accordance with IFRS, the Unaudited Supplementary Financial Information in Appendix II, in each case together with the accompanying notes. Capital adequacy ratios discussed in this section are calculated in accordance with applicable CBRC guidelines and are based on PRC GAAP financial information. The capital adequacy ratios discussed in this section are not part of the Accountant's Report and have not been audited.

The following discussion and analysis contain forward-looking statements about events that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in "Forward-looking Statements" and "Risk Factors."

OVERVIEW

We are the largest city commercial bank in Central China as measured by total assets, loans and deposits. We were established in 2005 through a merger of all the city commercial banks and urban credit cooperatives in Anhui. As of December 31, 2012, we had total assets of RMB324.2 billion, total loans of RMB163.8 billion and total deposits of RMB239.5 billion, each ranking No. 1 among city commercial banks in Central China; we were also the No. 4 city commercial bank in China by total loans and total deposits and the No. 7 city commercial bank in China by total assets.

Our primary business is commercial banking, which consists of corporate banking, retail banking and treasury operations. Our corporate banking business offers a wide range of products and services, such as corporate loans, corporate deposits, bill discounting and fee- and commission-based services. Our retail banking business offers a diverse portfolio of products and services, such as retail loans, retail deposits, bank cards and wealth management services. Our treasury operations primarily include inter-bank money market transactions, investment and trading activities and transactions on behalf of customers.

We believe our business, financial condition and results of operations have been, and will continue to be, affected by a number of factors including the following:

- ***Operating environment in Anhui.*** We derive most of our income from our operations in Anhui. Accordingly, economic conditions in Anhui directly impact our results of operations and financial condition. Anhui's economy has grown significantly in recent years. Anhui's nominal GDP increased from RMB736 billion in 2007 to RMB1,721 billion in 2012, representing a CAGR of 18.5%, compared to a CAGR of 14.3% for the national nominal GDP during the same period. Anhui's economic growth has led to increasing corporate activities and significant increases in personal wealth, as evidenced by an increase in Anhui's per capita annual disposable income of urban citizens from RMB11,474 in 2007 to RMB21,024 in 2012, representing a CAGR of 12.9%. Increased levels of corporate activity and personal wealth have resulted in growth in Anhui's banking industry. We expect that our business and results of operations will benefit as Anhui's economy continues to grow.
- ***Competition.*** We face competition from other commercial banks and policy banks operating in our markets. We compete principally with the Five Largest State-owned Commercial Banks and the branches of Nation-wide Joint Stock Commercial Banks in

Anhui. We are also facing increased competition from other commercial banks and foreign banks. In addition, we compete for customer deposits with postal savings bank of China, credit cooperatives as well as non-banking financial institutions, such as securities firms, fund management companies and insurance companies. We expect competition in China's banking industry to continue to intensify in the future.

- ***Regulatory environment.*** China's banking industry is highly regulated. Our results of operations, financial condition and prospects are affected by regulatory developments in China, as well as the economic measures undertaken by the PRC government. As China's regulatory regime and banking industry develop, changes in laws and regulations, or in their interpretation or enforcement, could materially affect our business, financial condition or results of operations. For example, the CBRC may further amend the capital adequacy guidelines, which could significantly affect the amount we are able to lend and the cost of funding.

- ***Interest rate environment.*** Our results of operations depend to a large extent on our net interest income, which represented 92.8% and 92.3% of our total operating income in 2012 and the six months ended June 30, 2013, respectively. The PBOC regulates interest rates on loans and deposits denominated in Renminbi. In recent years, the PBOC has gradually liberalized the regulation of interest rates. For example, in July 2013, the PBOC removed the lower limit on the interest rates of RMB-denominated loans (other than residential mortgage loans) and allowed financial institutions to determine their own lending rates, which may cause greater downward pricing pressure on our corporate and personal loan products. We expect future changes in the interest rate environment, in particular, changes in PBOC benchmark interest rates or regulations of interest rate on deposits in China, to continue to significantly affect our financial condition and results of operations.

RESULTS OF OPERATIONS

The table below sets forth our results of operations for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Interest income	8,256	11,253	15,161	6,886	9,080
Interest expense	(2,239)	(4,164)	(6,592)	(2,751)	(4,356)
Net interest income	**6,017**	**7,089**	**8,569**	**4,135**	**4,724**
Fee and commission income	294	461	452	191	329
Fee and commission expense	(43)	(48)	(56)	(18)	(36)
Net fee and commission income	**251**	**413**	**396**	**173**	**293**
Net trading income/(loss)	(32)	52	40	94	29
Net gains/(losses) on investment securities	(32)	30	67	51	4
Dividend income	0	2	0	0	—
Other operating income	66	65	163	71	68
Operating income	**6,270**	**7,651**	**9,235**	**4,524**	**5,118**
Operating expenses	(2,203)	(2,500)	(3,132)	(1,404)	(1,511)
Impairment losses on assets	(578)	(579)	(458)	(265)	(424)
Operating profit	**3,489**	**4,572**	**5,645**	**2,855**	**3,183**
Share of profits of associates	13	32	35	12	24
Profit before income tax	**3,502**	**4,604**	**5,680**	**2,867**	**3,207**
Income tax expense	(800)	(1,111)	(1,374)	(714)	(755)
Profit for the year/period	**2,702**	**3,493**	**4,306**	**2,153**	**2,452**

Six Months ended June 30, 2013 Compared to the Same Period in 2012

Net Interest Income

The table below sets forth our interest income, interest expense and net interest income for the periods indicated.

	Six months ended June 30,	
	2012	2013
	(unaudited)	
	(in millions of RMB)	
Interest income	6,886	9,080
Interest expense	(2,751)	(4,356)
Net interest income	**4,135**	**4,724**

Net interest income increased by 14.2% to RMB4,724 million for the six months ended June 30, 2013 from RMB4,135 million for the same period in 2012.

The table below sets forth the average balances of assets and liabilities, the related interest income or expense and the related average yields or cost for the periods indicated.

	Six months ended June 30,					
	2012			2013		
	Average balance(1)	Interest income (unaudited)	Average yield(2)	Average balance(1)	Interest income	Average yield(2)
	(in millions of RMB, except percentages)					
Assets						
Loans and advances to customers	142,149	5,131	7.26%	173,488	5,920	6.88%
Investment securities and financial assets held for trading(3)	54,269	1,078	4.00	60,074	1,173	3.94
Balances with central bank(4)	40,902	313	1.54	48,840	374	1.54
Due from and placements with and loans to banks and other financial institutions(5)	18,758	364	3.91	77,335	1,613	4.21
Total interest-earning assets	**256,078**	**6,886**	**5.41%**	**359,737**	**9,080**	**5.09%**
Allowance for impairment losses	(3,612)			(4,044)		
Non-interest-earning assets(6)	11,736			11,736		
Total assets	**264,202**			**367,429**		

	Six months ended June 30,					
	2012			2013		
	Average balance(1)	Interest expense (unaudited)	Average cost(2)	Average balance(1)	Interest expense	Average cost(2)
	(in millions of RMB, except percentages)					
Liabilities						
Deposits from customers	189,223	1,854	1.97%	232,392	2,237	1.94%
Deposits and placements from banks and other financial institutions(7)	41,830	767	3.69	95,321	1,928	4.08
Debt securities in issue(8)	3,992	130	6.55	6,757	191	5.69
Total interest-bearing liabilities	**235,045**	**2,751**	**2.35%**	**334,470**	**4,356**	**2.63%**
Non-interest-bearing liabilities(9)	9,556			11,262		
Total liabilities	**244,601**			**345,732**		
Net interest income	**4,135**			**4,724**		
Net interest spread(10)(12)	**3.05%**			**2.46%**		
Net interest margin(11)(12)	**3.25%**			**2.65%**		

Notes:

(1) Average balances of interest-earning assets and interest-bearing liabilities are derived from our management accounts. These amounts have not been audited.

(2) Calculated on an annualized basis by dividing interest income/expense by average balance.

(3) Includes available-for-sale debt securities, held-to-maturity debt securities, debt securities held for trading and debt securities classified as loans and receivables.

(4) Primarily consists of statutory deposit reserves and surplus deposit reserves.

(5) Consists of due from and placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(6) Primarily consists of cash, interest receivables, property, plant and equipment, deferred income tax assets, investments in associates and derivative financial assets.

(7) Consists of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements.

(8) Consist of subordinated bonds and financial bonds.

(9) Primarily consists of interest payable, accrued staff salaries and benefits, tax payable and derivative financial liabilities.

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

(11) Calculated by dividing net interest income by the average balance of total interest-earning assets.
(12) Net interest spread and net interest margin are annualized figures.

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

	Six months ended June 30, 2012 vs. 2013		
	Increase/ (decrease) due to		Net increase/ (decrease)[3]
	Volume[1]	Rate[2]	
	(in millions of RMB)		
Assets			
Loans and advances to customers, gross	1,131	(343)	789
Investment securities and financial assets held for trading	115	(20)	95
Balances with central bank	61	0	61
Due from and placements with and loans to banks and other financial institutions	1,137	111	1,249
Change in interest income	**2,445**	**(251)**	**2,194**
Liabilities			
Deposits from customers	423	(40)	383
Deposits and placements from banks and other financial institutions	981	180	1,161
Debt securities in issue	90	(30)	61
Change in interest expense	**1,494**	**110**	**1,605**
Change in net interest income	**951**	**(361)**	**589**

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

Interest Income

Interest income increased by 31.9% from RMB6,886 million for the six months ended June 30, 2012 to RMB9,080 million for the six months ended June 30, 2013, primarily due to an increase in the average balance of interest-earning assets from RMB256,078 million for the six months ended June 30, 2012 to RMB359,737 million for the six months ended June 30, 2013, which was partially offset by a decrease in the average yield on interest-earning assets from 5.41% for the six months ended June 30, 2012 to 5.09% for the six months ended June 30, 2013.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers is the largest component of interest income, representing 74.5% and 65.2% of total interest income for the six months ended June 30, 2012 and 2013, respectively.

The table below sets forth the average balance, interest income and average yield in respect of loans and advances to customers by category for the periods indicated.

	Six months ended June 30,					
	2012			2013		
	Average balance	Interest income	Average yield[(1)]	Average balance	Interest income	Average yield[(1)]
		(unaudited)				
	(in millions of RMB, except percentages)					
Corporate loans	100,965	3,795	7.56%	124,397	4,457	7.23%
Retail loans	31,609	1,020	6.49	39,290	1,185	6.08
Discounted bills	9,575	316	6.64	9,801	277	5.71
Total loans and advances to customers	**142,149**	**5,131**	**7.26%**	**173,488**	**5,920**	**6.88%**

Note;
(1) Calculated on an annualized basis.

Interest income from loans and advances to customers increased by 15.4% from RMB5,131 million for the six months ended June 30, 2012 to RMB5,920 million for the six months ended June 30, 2013, primarily due to an increase in the average balance of loans and advances to customers from RMB142,149 million for the six months ended June 30, 2012 to RMB173,488 million for the six months ended June 30, 2013, which was partially offset by a decrease in the average yield on loans and advances to customers from 7.26% for the six months ended June 30, 2012 to 6.88% for the six months ended June 30, 2013.

Interest income from corporate loans increased by 17.4% from RMB3,795 million for the six months ended June 30, 2012 to RMB4,457 million for the six months ended June 30, 2013, primarily due to an increase in the average balance of corporate loans from RMB100,965 million for the six months ended June 30, 2012 to RMB124,397 million for the six months ended June 30, 2013, which was partially offset by a decrease in the average yield on corporate loans from 7.56% for the six months ended June 30, 2012 to 7.23% for the six months ended June 30, 2013. The increase in the average balance of corporate loans was primarily the result of (i) increased market demand for corporate loans driven by Anhui's strong economic growth and (ii) our efforts to expand our trade finance business to capitalize on the growth of the commercial trading and logistics industries. The decrease in the average yield on corporate loans primarily resulted from the decreases in the PBOC benchmark interest rates in the second half of 2012.

Interest income from retail loans increased by 16.2% from RMB1,020 million for the six months ended June 30, 2012 to RMB1,185 million for the six months ended June 30, 2013, primarily due to an increase in the average balance of retail loans from RMB31,609 million for the six months ended June 30, 2012 to RMB39,290 million for the six months ended June 30, 2013, which was partially offset by a decrease in the average yield on retail loans from 6.49% for the six months ended June 30, 2012 to 6.08% for the six months ended June 30, 2013. The increase in the average balance of retail loans was primarily attributable to our efforts to expand our retail loan business. The decrease in the average yield on retail loans was primarily due to the decreases in the PBOC benchmark interest rates in the second half of 2012.

Interest income from discounted bills decreased by 12.3% from RMB316 million for the six months ended June 30, 2012 to RMB277 million for the six months ended June 30, 2013, primarily due to a decrease in the average yield on discounted bills from 6.64% for the six months ended June 30, 2012 to 5.71% for the six months ended June 30, 2013, which was partially offset by an increase in the average balance of discounted bills from RMB9,575 million for the six months ended June 30, 2012 to RMB 9,801 million for the six months ended June 30, 2013. The increase in the average balance of discounted bills was primarily attributable to our efforts to manage our loan scale and liquidity. The decrease in the average yield on discounted bills primarily reflected a declining interest rate environment as a result of the decreases in the PBOC benchmark interest rates in the second half of 2012.

Interest Income from Investment Securities and Financial Assets Held for Trading

Interest income from investment securities and financial assets held for trading increased by 8.8% from RMB1,078 million for the six months ended June 30, 2012 to RMB1,173 million for the six months ended June 30, 2013, primarily due to an increase in the average balance of investment securities and financial assets held for trading from RMB54,269 million for the six months ended June 30, 2012 to RMB60,074 million for the six months ended June 30, 2013, which was partially offset by a slight decrease in the average yield on investment securities and financial assets held for trading from 4.00% for the six months ended June 30, 2012 to 3.94% for the six months ended June 30, 2013. The increase in the average balance was primarily due to an increase in the amount of funds available for investment.

Interest Income from Balances with Central Bank

Interest income from balances with central bank increased by 19.5% from RMB313 million for the six months ended June 30, 2012 to RMB374 million for the six months ended June 30, 2013, primarily due to an increase in the average balances with central bank from RMB40,902 million for the six months ended June 30, 2012 to RMB48,840 million for the six months ended June 30, 2013. The increase in the average balance with central bank was primarily due to an increase in statutory deposit reserves, resulting from an increased deposits from customers, partially offset by a decrease in the statutory deposit reserve ratio in 2012.

Interest Income from Due from and Placements with and Loans to Banks and Other Financial Institutions

Interest income from due from and placements with and loans to banks and other financial institutions increased by 343.1% from RMB364 million for the six months ended June 30, 2012 to RMB1,613 million for the six months ended June 30, 2013, primarily due to an increase in the average balance from RMB18,758 million for the six months ended June 30, 2012 to RMB77,335 million for the six months ended June 30, 2013, as well as an increase in the average yield from 3.91% for the six months ended June 30, 2012 to 4.21% for the six months ended June 30, 2013. The increase in the average balance was primarily due to a significant increase in our purchases of bills under resale agreements, which were primarily funded by proceeds from the sales of bills under repurchase agreements and deposits from banks and other financial institutions. The increase in the average yield was primarily due to an increase in interbank lending rates.

Interest Expense

Interest expense increased by 58.3% from RMB2,751 million for the six months ended June 30, 2012 to RMB4,356 million for the six months ended June 30, 2013, primarily due to an increase in the average balance of interest-bearing liabilities from RMB235,045 million for the six months ended

June 30, 2012 to RMB334,470 million for the six months ended June 30, 2013, as well as an increase in the average cost of interest-bearing liabilities from 2.35% for the six months ended June 30, 2012 to 2.63% for the six months ended June 30, 2013.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers represented 67.4% and 51.4% of interest expense for the six months ended June 30, 2012 and 2013, respectively.

The table below sets forth the average balance, interest expense and average cost for the components of deposit from customers for the periods indicated.

	Six months ended June 30,					
	2012			2013		
	Average balance	Interest expense	Average cost(2)	Average balance	Interest expense	Average cost(2)
		(unaudited)				
	(in millions of RMB, except percentages)					
Corporate deposits						
Time	41,657	825	3.96%	54,366	1,277	4.70%
Demand	82,784	322	0.78	96,285	331	0.69
Subtotal	124,441	1,147	1.84%	150,651	1,608	2.13%
Retail deposits						
Time	20,940	340	3.25%	28,177	450	3.19%
Demand	18,986	45	0.47	23,980	46	0.38
Subtotal	39,926	385	1.93%	52,157	496	1.90%
Others(1)	24,856	322	2.59%	29,584	133	0.90%
Total deposits from customers	**189,223**	**1,854**	**1.97%**	**232,392**	**2,237**	**1.94%**

Notes:
(1) Primarily consists of pledged deposits held as collateral.
(2) Calculated on an annualized basis.

Interest expense on deposits from customers increased by 20.7% from RMB1,854 million for the six months ended June 30, 2012 to RMB2,237 million for the six months ended June 30, 2013, primarily due to an increase in the average balance of deposits from customers from RMB189,223 million for the six months ended June 30, 2012 to RMB232,392 million for the six months ended June 30, 2013, which was partially offset by a decrease in the average cost of deposits from customers from 1.97% for the six months ended June 30, 2012 to 1.94% for the six months ended June 30, 2013.

Interest expense on corporate deposits increased by 40.2% from RMB1,147 million for the six months ended June 30, 2012 to RMB1,608 million for the six months ended June 30, 2013, primarily due to an increase in the average balance of corporate deposits from RMB124,441 million for the six months ended June 30, 2012 to RMB150,651 million for the six months ended June 30, 2013, as well as an increase in the average cost of corporate deposits from 1.84% for the six months ended June 30, 2012 to 2.13% for the six months ended June 30, 2013. The increase in the average balance of corporate deposits was primarily attributable to our marketing efforts to maintain the growth in our corporate deposits. The increase in the average cost of corporate deposits was primarily due to an increase in time deposits as a percentage of total corporate deposits.

Interest expense on retail deposits increased by 28.8% from RMB385 million for the six months ended June 30, 2012 to RMB496 million for the six months ended June 30, 2013, primarily due to an increase in the average balance of retail deposits from RMB39,926 million for the six months ended June 30, 2012 to RMB52,157 million for the six months ended June 30, 2013, which was partially offset by a slight decrease in the average cost of retail deposits from 1.93% for the six months ended June 30, 2012 to 1.90% for the six months ended June 30, 2013. The increase in the average balance of retail deposits was primarily attributable to our efforts to expand our personal banking business.

Interest Expense on Deposits and Placements from Banks and Other Financial Institutions

Interest expense on deposits and placements from banks and other financial institutions increased by 151.4% from RMB767 million for the six months ended June 30, 2012 to RMB1,928 million for the six months ended June 30, 2013, primarily due to an increase in the average balance from RMB41,830 million for the six months ended June 30, 2012 to RMB95,321 million for the six months ended June 30, 2013, as well as an increase in the average cost from 3.69% for the six months ended June 30, 2012 to 4.08% for the six months ended June 30, 2013. The increase in the average balance was primarily due to our increased use of repurchase agreements to fund our purchases of bills under resale agreements to earn a spread income. The increase in the average cost was primarily due to higher interbank lending rates.

Interest Expense on Debt Securities in Issue

Interest expense on debt securities in issue increased by 46.9% from RMB130 million for the six months ended June 30, 2012 to RMB191 million for the six months ended June 30, 2013, primarily due to an increase in the average balance of debt securities in issue from RMB3,992 million for the six months ended June 30, 2012 to RMB6,757 million for the six months ended June 30, 2013, which was partially offset by a decrease in the average cost of debt securities in issue from 6.55% for the six months ended June 30, 2012 to 5.69% for the six months ended June 30, 2013. The increase in the average balance of debt securities in issue was primarily due to our issuance of approximately RMB5.0 billion financial bonds in March 2013. The average cost of debt securities in issue decreased as the financial bonds bear lower interest rate than that of subordinated bonds in issue.

Net Interest Spread and Net Interest Margin

Net interest spread decreased from 3.05% for the six months ended June 30, 2012 to 2.46% for the six months ended June 30, 2013. Net interest margin decreased from 3.25% for the six months ended June 30, 2012 to 2.65% for the six months ended June 30, 2013. The decrease in both net interest spread and net interest margin was primarily due to the repricing of our loan products, reflecting the decrease in the PBOC benchmark interest rates in the second half of 2012.

Net Fee and Commission Income

Net fee and commission income represented 3.8% and 5.7% of operating income for the six months ended June 30, 2012 and 2013, respectively. The table below sets forth the principal components of net fee and commission income for the periods indicated.

	Six months ended June 30,	
	2012	2013
	(unaudited)	
	(in millions of RMB)	
Fee and commission income		
Settlement and clearing fees	38	41
Custodian and other fiduciary service fees	28	55
Consultancy and advisory fees	31	75
Bank card fees	24	48
Guarantee and commitment fees	11	34
Agency commissions	20	15
Others[(1)]	39	61
Subtotal	191	329
Fee and commission expenses	**(18)**	**(36)**
Net fee and commission income	**173**	**293**

Note:
(1) Primarily consists of syndicated loan fees, domestic factoring fees, international trade financing arrangement fees and debt underwriting fees.

Net fee and commission income increased by 69.4% from RMB173 million for the six months ended June 30, 2012 to RMB293 million for the six months ended June 30, 2013, primarily due to increases in consultancy and advisory fees, custodian and other fiduciary service fees, bank card fees and guarantee and commitment service fees.

Settlement and Clearing Fees

Settlement and clearing fees increased by 7.9% from RMB38 million for the six months ended June 30, 2012 to RMB41 million for the six months ended June 30, 2013. The increase in settlement and clearing fees was primarily attributable to the growth in transactional volumes resulting from our increased marketing efforts.

Custodian and Other Fiduciary Service Fees

Custodian and other fiduciary service fees increased by 96.4% from RMB28 million for the six months ended June 30, 2012 to RMB55 million for the six months ended June 30, 2013. The increase in custodian and other fiduciary service fees was primarily due to an increase in assets under custody and the expansion of our wealth management business resulting from our increased marketing efforts.

Consultancy and Advisory Fees

Consultancy and advisory fees increased by 141.9% from RMB31 million for the six months ended June 30, 2012 to RMB75 million for the six months ended June 30, 2013. The increase in consultancy and advisory fees primarily reflected increased our introduction of new financial advisory services.

Bank Card Fees

Bank card fees increased by 100.0% from RMB24 million for the six months ended June 30, 2012 to RMB48 million for the six months ended June 30, 2013. The increase in bank card fees was primarily due to an increase in issuance of credit cards and increased transaction volume, which was largely attributable to our marketing efforts and continual introduction of new bank card products and features.

Guarantee and Commitment Fees

Guarantee and commitment fees increased by 209.1% from RMB11 million for the six months ended June 30, 2012 to RMB34 million for the six months ended June 30, 2013. The increase in guarantee and commitment fees was primarily attributable to our marketing efforts to promote our guarantee services.

Agency Commissions

Agency commissions primarily consist of fees from agency services provided to customers in connection with their purchase of debt securities. Agency commissions decreased by 25.0% from RMB20 million for the six months ended June 30, 2012 to RMB15 million for the six months ended June 30, 2013. The decrease in agency commissions was primarily due to lower demand among investors for debt securities.

Other Fee and Commission Income

Other fee and commission income increased by 56.4% from RMB39 million for the six months ended June 30, 2012 to RMB61 million for the six months ended June 30, 2013. The increase in other fee and commission income was primarily attributable to an increase in syndicated loans arrangements and the growth of our factoring business.

Fee and Commission Expenses

Our fee and commission expenses increased by 100.0% from RMB18 million for the six months ended June 30, 2012 to RMB36 million for the six months ended June 30, 2013. The increase in fee and commission expenses was primarily due to an increase in the proportion of fee- and commission-based services that have higher expenses.

Net Trading Income/ (Loss)

The table below sets forth the components of net trading income for the periods indicated.

	Six months ended June 30,	
	2012	2013
	(unaudited)	
	(in millions of RMB)	
Net trading income		
Net foreign exchange gains	10	11
Net gains from interest rate instruments	84	18
Total net trading income	**94**	**29**

Net trading income were RMB94 million and RMB29 million for the six months ended June 30, 2012 and 2013, respectively, which primarily consisted of foreign exchange gains and gains from interest rate instruments. Net gains from interest rate instruments were RMB84 million and RMB18 million for the six months ended June 30, 2012 and 2013, respectively. Net gains from interest rate instruments primarily reflected increases in the fair value of debt securities held for trading, which were largely attributable to our efforts to continually adapt our trading strategies to changing market dynamics.

Net Gains/ (Losses) on Investment Securities

Net gain/(loss) on investment securities consist of net realized gains or losses on disposal of investment securities. We had a net gain on investment securities of RMB51 million and RMB4 million for the six months ended June 30, 2012 and 2013, respectively, as we disposed of some of our debt securities at gains when the market prices were relatively high.

Other Operating Income

Other operating income primarily includes spread income from re-discounting discounted bills with other financial institutions. Other operating income decreased by 3.9% from RMB71 million for the six months ended June 30, 2012 to RMB68 million for the six months ended June 30, 2013, primarily reflecting the declining interest rate environment in 2013, which resulted in a decrease in income from transfer of discounted bills.

Operating Expenses

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

	Six months ended June 30,			
	2012		2013	
	Amount	% of total	Amount	% of total
	(unaudited)			
	(in millions of RMB except percentages)			
Staff costs	604	43.0%	636	42.1%
General and administrative expenses	305	21.7	322	21.3
Business tax and surcharges	345	24.6	371	24.5
Depreciation and amortization	94	6.7	116	7.7
Operating lease rentals	52	3.7	65	4.3
Others(1)	5	0.3	2	0.1
Total operating expenses	**1,404**	**100.0%**	**1,511**	**100.0%**

Note:

(1) Primarily consists of auditor's remuneration and loss on disposal of long-term assets.

Operating expenses increased by 7.6% from RMB1,404 million for the six months ended June 30, 2012 to RMB1,511 million for the six months ended June 30, 2013. The increase was primarily due to increases in staff costs, business tax and surcharges and depreciation and amortization.

Staff costs

Staff costs are the largest component of operating expenses, representing 43.0% and 42.1% of total operating expenses for the six months ended June 30, 2012 and 2013, respectively.

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

	Six months ended June 30,	
	2012	2013
	(unaudited)	
	(in millions of RMB)	
Salaries and bonuses	459	460
Others[1]	145	176
Total staff costs	**604**	**636**

Note:
(1) Primarily consists of pension benefits, labor union expenses, employee training expenses and other social and welfare expenses.

Staff costs increased by 5.3% from RMB604 million for the six months ended June 30, 2012 to RMB636 million for the six months ended June 30, 2013. The increase was primarily due to (i) an increase in the number of employees in line with our overall business growth and (ii) our adjustment of employee remuneration standards to improve our competitiveness in retaining talent.

General and Administrative Expenses

General and administrative expenses increased by 5.6% from RMB305 million for the six months ended June 30, 2012 to RMB322 million for the six months ended June 30, 2013. The increase in general and administrative expenses was in line with the expansion of our branch network.

Business Tax and Surcharges

Interest income from loans and advances to customers and fee- and commission-based income are subject to a business tax of 5% and additional surcharges of up to 10% of the amount of business taxes paid. Business tax and surcharges increased by 7.5% from RMB345 million for the six months ended June 30, 2012 to RMB371 million for the six months ended June 30, 2013. The increase in business tax and surcharges were in line with the growth of our business.

Depreciation and Amortization

Depreciation and amortization increased by 23.4% from RMB94 million for the six months ended June 30, 2012 to RMB116 million for the six months ended June 30, 2013. The increase in depreciation and amortization primarily resulted from depreciation charges for the fixed assets of new branches and intangible assets associated with our research and development activities.

Operating Lease Rentals

Operating lease rentals increased by 25.0% from RMB52 million for the six months ended June 30, 2012 to RMB65 million for the six months ended June 30, 2013. The increase in operating lease rentals primarily reflected rent for new branches leased from third parties.

Other Operating Expenses

Other operating expenses decreased by 60.0% from RMB5 million for the six months ended June 30, 2012 to RMB2 million for the six months ended June 30, 2013.

Impairment Losses on Assets

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

	Six months ended June 30,	
	2012	2013
	(unaudited)	
	(in millions of RMB)	
Loans and advances to customers	265	424
Impairment losses on assets	**265**	**424**

Impairment losses on assets increased by 60.0% from RMB265 million for the six months ended June 30, 2012 to RMB424 million for the six months ended June 30, 2013, due to an increase in the provisions for impairment losses on loans and advances to customers. See "Assets and Liabilities—Asset Quality of Our Loan Portfolio—Changes to the Allowance for Impairment Losses on Loans and Advances to Customers" for details on changes in our allowance for impairment losses on loans and advances.

Profit before Tax

As a result of the foregoing, profit before tax increased by 11.9% from RMB2,867 million for the six months ended June 30, 2012 to RMB3,207 million for the six months ended June 30, 2013.

Income Tax Expense

The table below sets forth a reconciliation between income tax expense calculated based on the applicable statutory income tax rate and actual income tax expense for the periods indicated.

	Six months ended June 30,	
	2012	2013
	(unaudited)	
	(in millions of RMB)	
Profit before tax	**2,867**	**3,207**
Tax calculated at the statutory tax rate (25%)	(717)	(802)
Add/(less) the tax effect of the following items:		
Expenses not deductible for tax purpose[(1)]	(15)	(5)
Income not subject to tax[(2)]	66	77
Tax filing differences from previous years	(48)	(25)
Income tax expense	**(714)**	**(755)**

Notes:
(1) Primarily consists of entertainment expenses and other expenses that are not deductible for tax purpose in PRC.
(2) Primarily consists of interest income from PRC treasury bonds.

Income tax expense increased by 5.7% from RMB714 million for the six months ended June 30, 2012 to RMB755 million for the six months ended June 30, 2013. The increase in income tax expense was in line with the increase in profit before tax. Our effective tax rates were 24.9% and 23.5% for the six months ended June 30, 2012 and 2013, respectively.

Net Profit for the Period

As a result of the foregoing, net profit for the period increased by 13.9% from RMB2,153 million for the six months ended June 30, 2012 to RMB2,452 million for the six months ended June 30, 2013.

Years Ended December 31, 2010, 2011 and 2012

Net Interest Income

The table below sets forth our interest income, interest expense and net interest income for the years indicated.

	Year ended December 31,		
	2010	2011	2012
	(in millions of RMB)		
Interest income	8,256	11,253	15,161
Interest expense	(2,239)	(4,164)	(6,592)
Net interest income	**6,017**	**7,089**	**8,569**

Net interest income increased by 17.8% from RMB6,017 million in 2010 to RMB7,089 million in 2011 and further increased by 20.9% to RMB8,569 million in 2012.

The table below sets forth the average balances of assets and liabilities, the related interest income or expense and the related average yields or cost for the years indicated.

	Year ended December 31,								
	2010			2011			2012		
	Average balance(1)	Interest income	Average yield(2)	Average balance(1)	Interest income	Average yield(2)	Average balance(1)	Interest income	Average yield(2)
	(in millions of RMB, except percentages)								
Assets									
Loans and advances to customers	109,407	6,061	5.54%	126,474	8,095	6.40%	149,322	10,697	7.16%
Investments securities and financial assets held for trading(3)	39,631	1,433	3.62	48,093	1,885	3.92	54,536	2,225	4.08
Balances with central bank(4)	24,363	351	1.44	33,177	499	1.50	42,616	647	1.52
Due from and placements with and loans to banks and other financial institutions(5)	15,093	411	2.72	16,092	774	4.81	36,431	1,592	4.37
Total interest-earning assets	**188,494**	**8,256**	**4.38%**	**223,836**	**11,253**	**5.03%**	**282,905**	**15,161**	**5.36%**
Allowance for impairment losses	(2,595)			(3,233)			(3,702)		
Non-interest-earning assets(6)	3,639			5,057			10,879		
Total assets	**189,538**			**225,660**			**290,082**		

	Year ended December 31,								
	2010			2011			2012		
	Average balance(1)	Interest expense	Average cost(2)	Average balance(1)	Interest expense	Average cost(2)	Average balance(1)	Interest expense	Average cost(2)
	(in millions of RMB, except percentages)								
Liabilities									
Deposits from customers	148,914	1,587	1.07%	169,145	2,491	1.47%	205,210	4,061	1.98%
Deposits and placements from banks and other financial institutions(7)	24,259	652	2.69	33,342	1,476	4.43	56,430	2,269	4.02
Debt securities in issue(8)	—	—	—	2,996	197	6.55	3,992	262	6.55
Total interest-bearing liabilities	**173,173**	**2,239**	**1.29%**	**205,483**	**4,164**	**2.03%**	**265,632**	**6,592**	**2.48%**
Non-interest-bearing liabilities(9)	2,210			4,771			4,920		
Total liabilities	**175,383**			**210,254**			**270,552**		
Net interest income	**6,017**			**7,089**			**8,569**		
Net interest spread(10)	**3.09%**			**3.00%**			**2.88%**		
Net interest margin(11)	**3.19%**			**3.17%**			**3.03%**		

Notes:

(1) Average balances of interest-earning assets and interest-bearing liabilities are derived from our management accounts. These amounts have not been audited.

(2) Calculated by dividing interest income/expense by average balance.

(3) Includes available-for-sale debt securities, held-to-maturity debt securities, debt securities held for trading and debt securities classified as loans and receivables.

(4) Primarily consists of statutory deposit reserves and surplus deposit reserves.

(5) Consists of due from and placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(6) Primarily consists of cash, interest receivables, property, plant and equipment, deferred income tax assets, investments in associates and derivative financial assets.

(7) Consists of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements.

(8) Consist of subordinated bonds and financial bonds.

(9) Primarily consists of interest payable, accrued staff salaries and benefits, tax payable and derivative financial liabilities.

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

(11) Calculated by dividing net interest income by the average balance of total interest-earning assets.

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

	Year ended December 31,					
	2010 vs. 2011			2011 vs. 2012		
	Increase/(decrease) due to		Net increase/ (decrease)(3)	Increase/ (decrease) due to		Net increase/ (decrease)(3)
	Volume(1)	Rate(2)		Volume(1)	Rate(2)	
	(in millions of RMB, except percentages)					
Assets						
Loans and advances to customers	945	1,089	2,034	1,462	1,140	2,602
Investment securities and financial assets held for trading	306	146	452	253	87	340
Balances with central bank	127	21	148	142	6	148
Due from and placements with and loans to banks and other financial institutions	27	336	363	978	(160)	818
Change in interest income	**1,405**	**1,592**	**2,997**	**2,835**	**1,073**	**3,908**
Liabilities						
Deposits from customers	216	688	904	531	1,039	1,570
Deposits and placements from banks and other financial institutions	244	580	824	1,022	(229)	793
Debt securities in issue	—	197	197	65	—	65
Change in interest expense	**460**	**1,465**	**1,925**	**1,618**	**810**	**2,428**
Change in net interest income	**945**	**127**	**1,072**	**1,217**	**263**	**1,480**

Notes:

(1) Represents the average balance for the year minus the average balance for the previous year, multiplied by the average yield/cost for the previous year.

(2) Represents the average yield/cost for the year minus the average yield/cost for the previous year, multiplied by the average balance for the previous year.

(3) Represents interest income/expense for the year minus interest income/expense for the previous year.

Interest Income

Interest income increased by 34.7% from RMB11,253 million in 2011 to RMB15,161 million in 2012, primarily due to an increase in the average balance of interest-earning assets from RMB223,836 million in 2011 to RMB282,905 million in 2012, as well as an increase in the average yield on interest-earning assets from 5.03% in 2011 to 5.36% in 2012.

Interest income increased by 36.3% from RMB8,256 million in 2010 to RMB11,253 million in 2011, primarily due to an increase in the average balance of interest-earning assets from RMB188,494 million in 2010 to RMB223,836 million in 2011, as well as an increase in the average yield on interest-earning assets from 4.38% in 2010 to 5.03% in 2011.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers is the largest component of interest income, representing 73.4%, 71.9% and 70.6% of total interest income in 2010, 2011 and 2012, respectively.

The table below sets forth the average balance, interest income and average yield in respect of loans and advances to customers by category for the years indicated.

	Year ended December 31,								
	2010			2011			2012		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
	(in millions of RMB, except percentages)								
Corporate loans	81,133	4,702	5.79%	93,612	6,124	6.54%	103,716	7,868	7.59%
Retail loans	22,484	1,151	5.12	28,764	1,637	5.69	33,494	2,107	6.29
Discounted bills	5,790	208	3.59	4,098	334	8.16	12,112	722	5.97
Total loans and advances to customers	**109,407**	**6,061**	**5.54%**	**126,474**	**8,095**	**6.40%**	**149,322**	**10,697**	**7.16%**

Interest income from loans and advances to customers increased by 32.1% from RMB8,095 million in 2011 to RMB10,697 million in 2012, primarily due to an increase in the average balance of loans and advances to customers from RMB126,474 million in 2011 to RMB149,322 million in 2012, as well as an increase in the average yield on loans and advances to customers from 6.40% in 2011 to 7.16% in 2012.

Interest income from loans and advances to customers increased by 33.6% from RMB6,061 million in 2010 to RMB8,095 million in 2011, primarily due to an increase in the average balance of loans and advances to customers from RMB109,407 million in 2010 to RMB126,474 million in 2011, as well as an increase in the average yield on loans and advances to customers from 5.54% in 2010 to 6.40% in 2011.

2012 Compared to 2011. Interest income from corporate loans increased by 28.5% from RMB6,124 million in 2011 to RMB7,868 million in 2012, primarily due to an increase in the average balance of corporate loans from RMB93,612 million in 2011 to RMB103,716 million in 2012, as well as an increase in the average yield on corporate loans from 6.54% in 2011 to 7.59% in 2012. The increase in the average balance of corporate loans was primarily the result of (i) increased market demand for corporate loans driven by Anhui's strong economic growth and (ii) our efforts to expand our trade finance business to capitalize on the growth of the commercial trading and logistics industries. The increase in the average yield on corporate loans was primarily due to (i) the continued effect of the increases in the PBOC benchmark interest rates in 2011 and (ii) increased market demand for corporate loans, allowing us to charge higher interest rates.

Interest income from retail loans increased by 28.7% from RMB1,637 million in 2011 to RMB2,107 million in 2012, primarily due to an increase in the average balance of retail loans from RMB28,764 million in 2011 to RMB33,494 million in 2012, as well as an increase in the average yield on retail loans from 5.69% in 2011 to 6.29% in 2012. The increase in the average balance of retail loans was primarily attributable to our efforts to expand our retail loan business. The increase in the average yield on retail loans was primarily due to the continued effect of the increases in the PBOC benchmark interest rates in 2011.

Interest income from discounted bills increased by 116.5% from RMB334 million in 2011 to RMB722 million in 2012, primarily due to an increase in the average balance of discounted bills from RMB4,098 million in 2011 to RMB12,112 million in 2012, which was partially offset by a decrease in the average yield on discounted bills from 8.16% in 2011 to 5.97% in 2012. The increase in the average balance of discounted bills was primarily attributable to our efforts to increase our position in discounted bills to improve our liquidity. The decrease in the average yield on discounted bills primarily reflected a declining interest rate environment as a result of increased liquidity in the market.

2011 Compared to 2010. Interest income from corporate loans increased by 30.2% from RMB4,702 million in 2010 to RMB6,124 million in 2011, primarily due to an increase in the average balance of corporate loans from RMB81,133 million in 2010 to RMB93,612 million in 2011, as well as an increase in the average yield on corporate loans from 5.79% in 2010 to 6.54% in 2011. The increase in the average balance of corporate loans was primarily the result of (i) increased market demand for corporate loans driven by Anhui's strong economic growth and (ii) our efforts to expand our trade finance business to capitalize on the growth of the commercial trading and logistics industries. The increase in the average yield on corporate loans was primarily due to (i) the increases in the PBOC benchmark interest rates in 2010 and 2011 and (ii) increased market demand for corporate loans, allowing us to charge higher interest rates.

Interest income from retail loans increased by 42.2% from RMB1,151 million in 2010 to RMB1,637 million in 2011, primarily due to an increase in the average balance of retail loans from RMB22,484 million in 2010 to RMB28,764 million in 2011, as well as an increase in the average yield on retail loans from 5.12% in 2010 to 5.69% in 2011. The increase in the average balance of retail loans was primarily attributable to our efforts to expand our retail loan business. The increase in the average yield on retail loans was primarily due to the increases in the PBOC benchmark interest rates in 2010 and 2011.

Interest income from discounted bills increased by 60.6% from RMB208 million in 2010 to RMB334 million in 2011, primarily due to an increase in the average yield on discounted bills from 3.59% in 2010 to 8.16% in 2011, which was partially offset by a decrease in the average balance of discounted bills from RMB5,790 million in 2010 to RMB4,098 million in 2011. The increase in the average yield on discounted bills was primarily due to the increases in the PBOC benchmark interest rates in 2010 and 2011 and tightened liquidity in the market, allowing us to achieve better discount rates. The decrease in the average balance of discounted bills was primarily due to our adjustment of our position in discounted bills based on our liquidity needs.

Interest Income from Investment Securities and Financial Assets Held for Trading

2012 Compared to 2011. Interest income from investment securities and financial assets held for trading increased by 18.0% from RMB1,885 million in 2011 to RMB2,225 million in 2012, primarily due to an increase in the average balance of investment securities and financial assets held for trading from RMB48,093 million in 2011 to RMB54,536 million in 2012, as well as an increase in the average yield on investment securities and financial assets held for trading from 3.92% in 2011 to 4.08% in 2012. The increase in the average balance was primarily due to an increase in the amount of funds available for investment.

2011 Compared to 2010. Interest income from investment securities and financial assets held for trading increased by 31.5% from RMB1,433 million in 2010 to RMB1,885 million in 2011, primarily due to an increase in the average balance of investment securities and financial assets held for trading from RMB39,631 million in 2010 to RMB48,093 million in 2011, as well as an increase in the average yield on investment securities and financial assets held for trading from 3.62% in 2010 to 3.92% in 2011. The increase in the average balance was primarily due to an increase in the amount of funds available for investment. The increase in the average yield was primarily attributable to (i) the increases in the PBOC benchmark interest rates in 2010 and 2011 and (ii) our efforts to optimize our investment portfolio to increase investment returns.

Interest Income from Balances with Central Bank

2012 Compared to 2011. Interest income from balances with central bank increased by 29.7% from RMB499 million in 2011 to RMB647 million in 2012, primarily due to an increase in the average balances with central bank from RMB33,177 million in 2011 to RMB42,616 million in 2012, as well as a slight increase in the average yield on balances with central bank from 1.50% in 2011 to 1.52% in 2012. The increase in the average balances with central bank was primarily due to an increase in statutory deposit reserves, reflecting an increased deposits from customers, partially offset by a decrease in the statutory deposit reserve ratio in 2012.

2011 Compared to 2010. Interest income from balances with central bank increased by 42.2% from RMB351 million in 2010 to RMB499 million in 2011, primarily due to an increase in the average balances with central bank from RMB24,363 million in 2010 to RMB33,177 million in 2011, as well as a slight increase in the average yield on balances with central bank from 1.44% in 2010 to 1.50% in 2011. The increase in the average balances with central bank was primarily due to an increase in statutory deposit reserves, reflecting the growth of deposits from customers and the increases in the statutory deposit reserve ratio in 2011.

Interest Income from Due from and Placements with and loans to Banks and Other Financial Institutions

2012 Compared to 2011. Interest income from due from and placements with and loans to banks and other financial institutions increased by 105.7% from RMB774 million in 2011 to RMB1,592 million in 2012, primarily due to an increase in the average balance from RMB16,092 million in 2011 to RMB36,431 million in 2012, which was partially offset by a decrease in average yield from 4.81% in 2011 to 4.37% in 2012. The increase in the average balance was primarily due to a significant increase in our purchases of bills under resale agreements, which were primarily funded by proceeds from the sales of bills under repurchase agreements and deposits from banks and other financial institutions. The decrease in the average yield primarily reflected lower interbank lending rates resulting from increased liquidity in the market.

2011 Compared to 2010. Interest income from due from and placements with and loans to banks and other financial institutions increased by 88.3% from RMB411 million in 2010 to RMB774 million in 2011, primarily due to an increase in the average balance from RMB15,093 million in 2010 to RMB16,092 million in 2011, as well as an increase in the average yield from 2.72% in 2010 to 4.81% in 2011. The increase in the average balance was primarily due to increased lending to banks and other financial institutions. The increase in average yield was primarily due to higher interbank lending rates resulting from tightened liquidity in the market.

Interest Expense

Interest expense increased by 58.3% from RMB4,164 million in 2011 to RMB6,592 million in 2012, primarily due to an increase in the average balance of interest-bearing liabilities from RMB205,483 million in 2011 to RMB265,632 million in 2012, as well as an increase in the average cost of interest-bearing liabilities from 2.03% in 2011 to 2.48% in 2012.

Interest expense increased by 86.0% from RMB2,239 million in 2010 to RMB4,164 million in 2011, primarily due to an increase in the average balance of interest-bearing liabilities from RMB173,173 million in 2010 to RMB205,483 million in 2011, as well as an increase in the average cost of interest-bearing liabilities from 1.29% in 2010 to 2.03% in 2011.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers represented 70.9%, 59.8% and 61.6% of interest expense in 2010, 2011 and 2012, respectively.

The table below sets forth the average balance, interest expense and average cost for the components of deposit from customers for the years indicated.

	Year ended December 31,								
	2010			2011			2012		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
	(in millions of RMB, except percentages)								
Corporate deposits									
Time	25,932	718	2.77%	29,465	1,121	3.80%	50,006	1,918	3.84%
Demand	76,543	464	0.61	84,760	642	0.76	85,970	660	0.77
Subtotal	102,475	1,182	1.15%	114,225	1,763	1.54%	135,976	2,578	1.90%
Retail deposits									
Time	16,176	350	2.16%	19,520	517	2.65%	23,178	731	3.15%
Demand	13,731	50	0.36	16,435	80	0.49	19,787	85	0.43
Subtotal	29,907	400	1.34%	35,955	597	1.66%	42,965	816	1.90%
Others(1)	16,532	5	0.03%	18,965	131	0.69%	26,269	667	2.54%
Total deposits from customers	**148,914**	**1,587**	**1.07%**	**169,145**	**2,491**	**1.47%**	**205,210**	**4,061**	**1.98%**

Note:
(1) Primarily consists of pledged deposits held as collateral.

Interest expense on deposits from customers increased by 63.0% from RMB2,491 million in 2011 to RMB4,061 million in 2012, primarily due to an increase in the average balance of deposits from customers from RMB169,145 million in 2011 to RMB205,210 million in 2012, as well as an increase in the average cost of deposits from customers from 1.47% in 2011 to 1.98% in 2012.

Interest expense on deposits from customers increased by 57.0% from RMB1,587 million in 2010 to RMB2,491 million in 2011, primarily due to an increase in the average balance of deposits from customers from RMB148,914 million in 2010 to RMB169,145 million in 2011, as well as an increase in the average cost of deposits from customers from 1.07% in 2010 to 1.47% in 2011.

2012 compared to 2011. Interest expense on corporate deposits increased by 46.2% from RMB1,763 million in 2011 to RMB2,578 million in 2012, primarily due to an increase in the average balance of corporate deposits from RMB114,225 million in 2011 to RMB135,976 million in 2012, as well as an increase in the average cost of corporate deposits from 1.54% in 2011 to 1.90% in 2012. The increase in the average balance of corporate deposits was primarily attributable to our marketing efforts to maintain the growth in our corporate deposits. The increase in the average cost of corporate deposits was primarily due to (i) the increases in the maximum deposit rates in 2012 and (ii) an increase in time deposits as a percentage of total corporate deposits.

Interest expense on retail deposits increased by 36.7% from RMB597 million in 2011 to RMB816 million in 2012, primarily due to an increase in the average balance of retail deposits from RMB35,955 million in 2011 to RMB42,965 million in 2012, as well as an increase in the average cost of retail deposits from 1.66% in 2011 to 1.90% in 2012. The increase in the average balance of retail deposits was primarily attributable to our marketing efforts to expand our retail banking business. The increase in the average cost of retail deposits was primarily due to the increases in the maximum deposit rates in 2012.

2011 Compared to 2010. Interest expense on corporate deposits increased by 49.2% from RMB1,182 million in 2010 to RMB1,763 million in 2011, primarily due to an increase in the average balance of corporate deposits RMB102,475 million in 2010 to RMB114,225 million in 2011, as well as an increase in the average cost of corporate deposits from 1.15% in 2010 to 1.54% in 2011. The increase in the average balance of corporate deposits was primarily attributable to our marketing efforts to maintain the growth in our corporate deposits. The increase in the average cost of corporate deposits was primarily due to the increases in the PBOC benchmark interest rates in 2010 and 2011.

Interest expense on retail deposits increased by 49.3% from RMB400 million in 2010 to RMB597 million in 2011, primarily due to an increase in the average balance of retail deposits from RMB29,907 million in 2010 to RMB35,955 million in 2011, as well as an increase in the average cost of retail loans from 1.34% in 2010 to 1.66% in 2011. The increase in the average balance of retail loans was primarily attributable to our marketing efforts to expand our retail banking business. The increase in the average cost of retail loans was primarily due to the increases in the PBOC benchmark interest rates in 2010 and 2011.

Interest Expense on Deposits and Placements from Banks and Other Financial Institutions

2012 compared to 2011. Interest expense on deposits and placements from banks and other financial institutions increased by 53.7% from RMB1,476 million in 2011 to RMB2,269 million in 2012, primarily due to an increase in the average balance from RMB33,342 million in 2011 to RMB56,430 million in 2012, which was partially offset by a decrease in the average cost from 4.43% in 2011 to 4.02% in 2012. The increase in the average balance was primarily due to our increased use of repurchase agreements to fund our purchases of bills under resale agreements to earn spread income. The decrease in the average cost was primarily due to lower interbank lending rates resulting from increased liquidity in the market.

2011 compared to 2010. Interest expense on deposits and placements from banks and other financial institutions increased by 126.4% from RMB652 million in 2010 to RMB1,476 million in 2011, primarily due to an increase in the average balance from RMB24,259 million in 2010 to RMB33,342 million in 2011, as well as an increase in the average cost from 2.69% in 2010 to 4.43% in 2011. The increase in the average balance was primarily due to higher interbank borrowings to satisfy our liquidity needs. The increase in the average cost was primarily due to higher interbank lending rates resulting from tightened liquidity in the market.

Interest Expense on Debt Securities in Issue

Interest expense on debt securities in issue increased by 33.0% from RMB197 million in 2011 to RMB262 million in 2012, primarily due to an increase in the average balance of debt securities in issue from RMB2,996 million in 2011 to RMB3,992 million in 2012. The increase in the average balance of debt securities in issue was primarily due to our issuance of approximately RMB4.0 billion subordinated debts in April 2011. We did not incur any interest expenses on debt securities in issue in 2010.

Net Interest Spread and Net Interest Margin

Net interest spread decreased from 3.09% in 2010 to 3.00% in 2011 and further decreased to 2.88% in 2012. Net interest margin decreased from 3.19% in 2010 to 3.17% in 2011 and further decreased to 3.03% in 2012. The decrease in both net interest spread and net interest margin primarily resulted from higher interest expenses, reflecting efforts to optimize our funding structure and address our liquidity needs through issuing subordinated debt and increased time deposits and deposits placed with us by other banks and financial institutions.

Net Fee and Commission Income

Net fee and commission income represented 4.0%, 5.4% and 4.3% of operating income in 2010, 2011 and 2012, respectively. The table below sets forth the principal components of net fee and commission income for the years indicated.

	Year ended December 31,		
	2010	2011	2012
	(in millions of RMB)		
Fee and commission income			
Settlement and clearing fees	53	74	75
Custodian and other fiduciary service fees	11	21	66
Consultancy and advisory fees	113	159	65
Bank card fees	27	46	60
Guarantee and commitment fees	3	36	42
Agency commissions	59	73	42
Others[(1)]	28	52	102
Subtotal	294	461	452
Fee and commission expenses	**(43)**	**(48)**	**(56)**
Net fee and commission income	**251**	**413**	**396**

Note:
(1) Primarily consists of syndicated loan fees, debt underwriting fees, international trade financing arrangement fees and domestic factoring fees.

Net fee and commission income decreased by 4.1% from RMB413 million in 2011 to RMB396 million in 2012, primarily due to decreases in consultancy and advisory fees and agency commissions, partially offset by an increase in custodian and other fiduciary service fees.

Net fee and commission income increased by 64.5% from RMB251 million in 2010 to RMB413 million in 2011, primarily attributable to a combination of increases in all categories of fees and commissions, particularly consultancy and advisory fees, guarantee and commitment fees, settlement and clearing fees and bank card fees.

Settlement and Clearing Fees

Settlement and clearing fees increased by 39.6% from RMB53 million in 2010 to RMB74 million in 2011. The increase in settlement and clearing fees was primarily attributable to the growths in transactional volume resulting from our increased marketing efforts. Settlement and clearing fees remained stable at RMB75 million in 2012 as compared with RMB74 million in 2011.

Custodian and Other Fiduciary Service Fees

Custodian and other fiduciary service fees increased by 90.9% from RMB11 million in 2010 to RMB21 million in 2011 and further increased by 214.3% to RMB66 million in 2012. The increases in custodian and other fiduciary service fees were primarily due to an increase in assets under custody and the expansion of our wealth management business resulting from our increased marketing efforts.

Consultancy and Advisory Fees

Consultancy and advisory services decreased by 59.1% from RMB159 million in 2011 to RMB65 million in 2012 as we ceased to charge fees on certain financial advisory services in accordance with the relevant CBRC requirements in 2012. Consultancy and advisory fees increased by 40.7% from RMB113 million in 2010 to RMB159 million in 2011, primarily reflecting increased demand for loan arrangement services driven by the growth of our corporate and personal loan customer base.

Bank Card Fees

Bank card fees increased by 70.4% from RMB27 million in 2010 to RMB46 million in 2011 and further increased by 30.4% to RMB60 million in 2012. The increases in bank card fees were primarily due to an increase in issuance of credit cards and increased transaction volume, which was largely attributable to our marketing efforts and continual introduction of new bank card products and features.

Guarantee and Commitment Service Fees

Guarantee service fee increased by 1,100.0% from RMB3 million in 2010 to RMB36 million in 2011, and further increased by 16.7% to RMB42 million in 2012. Guarantee service fee increased significantly from 2010 to 2011 as we began to charge fees on loan commitment services in 2011 in accordance with the relevant CBRC requirements. We ceased to charge fees on certain loan commitment services in 2012 in accordance with the relevant CBRC requirements, which resulted in a slower growth of guarantee and commitment service fees in 2012.

Agency Commissions

Agency commissions decreased by 42.5% from RMB73 million in 2011 to RMB42 million in 2012. The decrease in agency commissions was primarily due to lower demand among investors for debt securities. Agency commissions increased by 23.7% from RMB59 million in 2010 to RMB73 million in 2011, primarily due to increased demand for our agency services.

Other Fee and Commission Income

Other fee and commission income increased by 85.7% from RMB28 million in 2010 to RMB52 million in 2011 and further increased by 96.2% to RMB102 million in 2012. The increases in other fee and commission income were primarily attributable to the increases in syndicated loans arrangements and debt underwriting transactions.

Fee and Commission Expenses

Fee and commission expenses increased by 11.6% from RMB43 million 2010 to RMB48 million in 2011 and further increased by 16.7% to RMB56 million in 2012. The increases in fee and commission expenses were in line with the expansion of our fee- and commission-based businesses.

Net Trading Income/(Loss)

The table below sets forth the components of net trading income/(loss) for the years indicated.

	Year ended December 31,		
	2010	2011	2012
	(in millions of RMB)		
Net trading income/(loss)			
Net foreign exchange gains	21	17	21
Net gains/(losses) from interest rate instruments	(53)	35	19
Total net trading income/(loss)	**(32)**	**52**	**40**

In 2011 and 2012, net trading income was RMB52 million and RMB40 million, respectively, which primarily consisted of foreign exchange gains and gains from interest rate instruments. In 2010, our trading loss was RMB32 million, primarily reflecting losses from interest rate instruments, which was partially offset by foreign exchange gains.

Net foreign exchange gains increased from RMB17 million in 2011 to RMB21 million in 2012, primarily due to an increase in the volume of foreign exchange transactions resulting from our efforts to expand our customer base. Net foreign exchange gains decreased from RMB21 million in 2010 to RMB17 million in 2011, primarily due to (i) a general decrease in the volume of foreign exchange transactions in Anhui due to the fluctuations in US dollar and Euro exchange rates and (ii) increased market competition, which resulted in a decrease in gains realized from our foreign exchange transactions.

In 2011 and 2012, net gain from interest rate instruments were RMB35 million and RMB19 million, respectively, primarily reflecting increases in the fair value of debt securities held for trading, which were largely attributable to our efforts to continually adapt our trading strategies to changing market dynamics. In 2010, net loss from interest rate instruments was RMB53 million, primarily due to a decrease in the fair value of debt securities held for trading reflecting an increase in market yield.

Net Gains/(Losses) on Investment in securities

We had net gains on investment securities of RMB30 million and RMB67 million in 2011 and 2012, respectively, as we disposed of some of our debt securities at gains when the market prices were relatively high. We had a net loss on investment securities of RMB32 million in 2010 as we disposed of some of our debt securities to avoid further losses in an increasingly volatile interest rate environment.

Other Operating Income

Other operating income increased by 150.8% from RMB65 million in 2011 to RMB163 million in 2012, primarily reflecting an increase in the volume of discounted bills transferred to other financial institutions. Other operating income remained stable at RMB65 million in 2011 as compared with RMB66 million in 2010.

Operating Expenses

The table below sets forth the principal components of operating expenses for the years indicated.

	Year ended December 31,					
	2010		2011		2012	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(in millions of RMB except percentages)					
Staff costs	965	43.8%	1,000	40.0%	1,325	42.4%
General and administrative expenses	617	28.0	729	29.1	781	24.9
Business tax and surcharges	390	17.7	507	20.3	685	21.9
Depreciation and amortization	166	7.5	170	6.8	201	6.4
Operating lease rentals	58	2.6	75	3.0	123	3.9
Others[(1)]	7	0.4	19	0.8	16	0.5
Total	**2,203**	**100.0%**	**2,500**	**100.0%**	**3,132**	**100.0%**

Note:

(1) Primarily consists of auditor's remuneration and loss on disposal of long-term assets.

Operating expenses increased by 25.3% from RMB2,500 million in 2011 to RMB3,132 million in 2012. The increase was primarily due to increases in staff costs, business tax and surcharges and operating lease rentals.

Operating expenses increased by 13.5% from RMB2,203 million in 2010 to RMB2,500 million in 2011. The increase was primarily due to increases in business tax and surcharges, general and administrative expenses and staff costs.

Staff costs

Staff costs are the largest component of operating expenses, representing 43.8%, 40.0% and 42.4% of total operating expenses in 2010, 2011 and 2012, respectively.

The table below sets forth the components of staff costs for the years indicated.

	Year ended December 31,		
	2010	2011	2012
	(in millions of RMB)		
Salaries and bonuses	747	780	986
Others[(1)]	218	220	339
Total staff costs	**965**	**1,000**	**1,325**

Note:
(1) Primarily consists of pension benefits, labor union expenses, employee training expenses and other social and welfare expenses.

Staff costs increased by 3.6% from RMB965 million in 2010 to RMB1,000 million in 2011 and further increased by 32.5% to RMB1,325 million in 2012. The increases in staff costs were primarily due to (i) an increase in the number of employees in line with our overall business growth and (ii) our adjustment of employee remuneration standards to improve our competitiveness in retaining talent.

General and Administrative Expenses

General and administrative expenses increased by 18.2% from RMB617 million in 2010 to RMB729 million in 2011 and further increased by 7.1% to RMB781 million in 2012. The increases in general and administrative expenses were in line with the expansion of our branch network.

Business Tax and Surcharges

Business tax and surcharges increased by 30.0% from RMB390 million in 2010 to RMB507 million in 2011 and further increased by 35.1% to RMB685 million in 2012. The increases in business tax and surcharges were in line with the increase in our operating income.

Depreciation and Amortization

Depreciation and amortization increased by 2.4% from RMB166 million in 2010 to RMB170 million in 2011 and further increased by 18.2% to RMB201 million in 2012. The increases in depreciation and amortization primarily resulted from depreciation charges for the fixed assets of new branches and intangible assets associated with our research and development activities.

Operating Lease Rentals

Operating lease rentals increased by 29.3% from RMB58 million in 2010 to RMB75 million in 2011 and further increased by 64.0% to RMB123 million in 2012. The increases in operating lease rentals primarily reflected rent for new branches leased from third parties.

Other Operating Expenses

Other operating expenses decreased by 15.8% from RMB19 million in 2011 to RMB16 million in 2012, primarily reflecting a decrease in auditor's remuneration. Other operating expenses increased by 171.4% from RMB7 million in 2010 to RMB19 million in 2011, which was in line with our business expansion.

Impairment Losses on Assets

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

	Year ended December 31,		
	2010	2011	2012
	(in millions of RMB)		
Loans and advances to customers	(578)	(597)	(468)
Others	—	18[(1)]	10[(2)]
Impairment losses on assets	**(578)**	**(579)**	**(458)**

Notes:

(1) Primarily consists of reversal of provisions for impairment losses on foreclosed assets and reversal of provisions for impairment losses on placements with and loans to banks and other financial institutions.

(2) Primarily consists of reversal of provisions for impairment losses on placements with and loans to banks and other financial institutions, provisions for impairment losses on available-for-sale financial assets and reversal of provisions for impairment losses on foreclosed assets.

Impairment losses on assets decreased by 20.9% from RMB579 million in 2011 to RMB458 million in 2012, primarily due to a decrease in provisions for impairment losses on loans and advances to customers. See "Assets and Liabilities—Asset Quality of Our Loan Portfolio—Changes to the Allowance for Impairment Losses on Loans and Advances to Customers" for details on changes in our allowance for impairment losses on loans and advances. Impairment losses on assets remained stable at RMB579 million in 2011 as compared with RMB578 million in 2010.

Profit before Tax

As a result of the foregoing, profit before tax increased by 31.5% from RMB3,502 million in 2010 to RMB4,604 million in 2011 and further increased by 23.4% to RMB5,680 million in 2012.

Income Tax Expense

The table below sets forth a reconciliation between income tax expense calculated based on the applicable statutory income tax rate and actual income tax expense for the years indicated.

	Year ended December 31,		
	2010	2011	2012
	(in millions of RMB)		
Profit before tax	**3,502**	**4,604**	**5,680**
Tax calculated at the statutory tax rate (25%)	(876)	(1,151)	(1,420)
Add/(less) the tax effect of the following items:			
Expenses not deductible for tax purpose[(1)]	(45)	(33)	(48)
Income not subject to tax[(2)]	88	103	145
Tax filing differences from previous years	33	(30)	(51)
Income tax expense	**(800)**	**(1,111)**	**(1,374)**

Notes:

(1) Primarily consists of entertainment expenses and other expenses that are not deductible for tax purpose in PRC.

(2) Primarily consists of interest income from PRC treasury bonds.

Income tax expense increased by 38.9% from RMB800 million in 2010 to RMB1,111 million in 2011 and further increased by 23.7% to RMB1,374 million in 2012. The increases in income tax expenses were in line with the increases in profit before tax. Our effective tax rates were 22.8%, 24.1% and 24.2% in 2010, 2011 and 2012, respectively.

Profit for the Year

As a result of the foregoing, net profit for the year increased by 29.3% from RMB2,702 million in 2010 to RMB3,493 million in 2011 and further increased by 23.3% to RMB4,306 million in 2012.

SUMMARY OF SEGMENT RESULTS

Summary of Business Segments

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

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in millions of RMB, except percentages)									
Corporate banking	4,080	65.1%	4,823	63.0%	5,333	57.8%	2,676	59.1%	3,003	58.7%
Retail banking	1,395	22.3	1,892	24.7	2,394	25.9	1,148	25.4	1,402	27.4
Treasury operations[(1)]	729	11.5	871	11.4	1,345	14.6	629	13.9	645	12.6
Others and unallocated	66	1.1	65	0.9	163	1.7	71	1.6	68	1.3
Total operating income	**6,270**	**100.0%**	**7,651**	**100.0%**	**9,235**	**100.0%**	**4,524**	**100.0%**	**5,118**	**100.0%**

Note:

(1) Primarily includes income from investment in debt securities and net interest income from repurchase and reverse repurchase transactions. Both financial assets held under resale agreements and financial assets sold under repurchase agreements increased significantly in 2012 and the six months ended June 30, 2012. See "Assets and Liabilities." As the increase in interest income earned on financial assets held under resale agreements was substantially offset by the increase in interest expense paid on financial assets sold under repurchase agreements, the substantial increase in financial assets held under resale agreements did not result in a corresponding increase in operating income from treasury operations.

Summary of Geographical Segment Information

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branch that generates the income. The table below sets forth the operating income attributable to each of our geographical segments for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in millions of RMB, except percentages)									
Anhui	6,022	96.0%	7,404	96.8%	8,963	97.1%	4,362	96.4%	4,914	96.0%
Jiangsu	248	4.0	247	3.2	272	2.9	162	3.6	204	4.0
Total operating income	**6,270**	**100.0%**	**7,651**	**100.0%**	**9,235**	**100.0%**	**4,524**	**100.0%**	**5,118**	**100.0%**

CASH FLOWS

The table below sets forth cash flows for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Net cash from/(used in) operating activities	12,319	13,256	1,309	121	4,802
Net cash (used in) investing activities	(9,976)	(254)	(9,147)	(13,927)	(10,840)
Net cash from/(used in) financing activities	(927)	3,179	(1,086)	(1,033)	4,039
Effect of exchange rate changes on cash and cash equivalents	(8)	(23)	(9)	(12)	(18)
Net increase/(decrease) in cash and cash equivalents	**1,408**	**16,158**	**(8,933)**	**(14,851)**	**(2,017)**

Cash Flows from Operating Activities

Cash inflows from operating activities are primarily attributable to (i) net increases in deposits from customers, (ii) net increase in financial assets sold under repurchase agreements, (iii) net increase in deposits and placements from banks and other financial institutions and (iv) net decrease in financial assets held for trading.

Net increase in deposits from customers was RMB8,590 million and RMB12,594 million for the six months ended June 30, 2012 and 2013, respectively. Net increase in financial assets sold under repurchase agreements was RMB27,098 million and RMB52,787 million for the six months ended June 30, 2012 and 2013, respectively. Net increase in deposits and placements from banks and other financial institutions was RMB19,910 million and RMB13,740 million for the six months ended June 30, 2012 and 2013, respectively. Net decrease in financial assets held for trading was RMB171 million for the six months ended June 30, 2012.

In 2010, 2011 and 2012, net increase in deposits from customers was RMB27,021 million, RMB43,998 million and RMB35,963 million, respectively. In 2010 and 2012, net increase in financial assets sold under repurchase agreements was RMB13,760 million and RMB31,699 million, respectively. In 2010 and 2011, net increase in deposits and placements from banks and other financial institutions was RMB3,627 million and RMB86 million, respectively. In 2010 and 2012, net decrease in financial assets held for trading was RMB55 million and RMB1,456 million, respectively.

Cash outflows from operating activities are primarily attributable to (i) net increase in loans and advances to customers, (ii) net increase in balances with central bank, (iii) net increase in financial assets held under resale agreements, (iv) net increase in amounts due from and placements with and loans to banks and other financial institutions and (v) interest expenses paid.

Net increase in loans and advances to customers was RMB17,056 million and RMB19,332 million for the six months ended June 30, 2012 and 2013, respectively. Net increase in balances with central bank was RMB3,239 million and RMB3,789 million for the six months ended June 30, 2012 and 2013, respectively. Net increase in financial assets held under resale agreements was RMB35,038 million and RMB54,083 million for the six months ended June 30, 2012 and 2013, respectively. Net increase in amounts due from and placements with and loans to banks and other financial institutions was RMB1,896 million for the six months ended June 30, 2012. We paid income tax of RMB954 million and RMB928 million for the six months ended June 30, 2012 and 2013, respectively.

In 2010, 2011 and 2012, net increase in loans and advances to customers was RMB20,535 million, RMB18,761 million and RMB26,470 million, respectively. In 2010, 2011 and 2012, net increase in balances with central bank was RMB8,223 million, RMB10,221 million and RMB7,291 million, respectively. In 2010 and 2012, net increase in financial assets held under resale agreements was RMB6,728 million and RMB32,881 million, respectively. In 2010, 2011 and 2012, we paid income tax of RMB772 million, RMB1,375 million and RMB1,439 million, respectively.

Cash Flows from Investing Activities

Cash inflows from investing activities primarily consisted of proceeds from disposal of investment securities. Our proceeds from the disposal of investment securities were RMB13,231 million and RMB18,914 million for the six months ended June 30, 2012 and 2013, respectively. In 2010, 2011 and 2012, our proceeds from the disposal of investment securities were RMB9,998 million, RMB10,330 million and RMB45,993 million, respectively.

Cash outflows from investing activities primarily consisted of payment for the purchases of investment securities. Our purchases of investment securities amounted to RMB27,922 million and RMB30,688 million for the six months ended June 30, 2012 and 2013, respectively. In 2010, 2011 and 2012, our purchases of investment securities amounted to RMB21,194 million, RMB12,199 million and RMB56,729 million, respectively.

Cash Flows from Financing Activities

Cash inflows from financing activities primarily consisted of proceeds from issuance of subordinated bonds and financial bonds. In April 2011, we issued an aggregate principal amount of RMB4.0 billion subordinated bonds. In March 2013, we issued two tranches of financial bonds with an aggregate principal amount of RMB5.0 billion.

Cash outflows from financing activities primarily consisted of dividends and interests paid on debt securities in issue. We paid cash dividends and interests of RMB1,033 million and RMB1,001 million for the six months ended June 30, 2012 and 2013, respectively. In 2010, 2011 and 2012, we paid cash dividends and interests of RMB927 million, RMB813 million and RMB1,086 million, respectively.

LIQUIDITY

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 98.1%, 93.9%, 92.1% and 88.5% of total deposits from customers as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively.

We manage liquidity primarily by monitoring the maturities of assets and liabilities in an effort to ensure that we have sufficient funds to meet obligations as they become due. We have been focusing on maintaining stable sources of funding and increasing our customer deposits. We also invest in a significant amount of liquid assets, such as PBOC bills and government bonds, as well as financial assets with short maturities, such as financial assets held under resale agreements, short-term debt securities and discounted bills.

The table below sets forth the remaining maturities of our assets and liabilities as of June 30, 2013.

	As of June 30, 2013								
	On demand	Up to 1 month	1 month up to 3 months	3 months up to 1 year	1 year up to 5 years	Over 5 years	Past due	Without fixed term	Total
	(in millions of RMB)								
Financial Assets									
Loans and advances to customers, net	—	6,912	19,384	78,334	34,458	39,186	592	—	178,866
Investment securities and financial assets held for trading	—	7,572	4,972	7,705	29,844	18,827	—	16	68,936
Derivative financial assets	—	—	—	—	—	—	—	—	—
Cash and balances with central bank	2,367	57,283	—	—	—	—	—	—	59,650
Financial assets held under resale agreement	—	8,892	38,954	44,435	—	—	—	—	92,281
Due from banks and other financial institutions	1,487	766	854	1,060	—	—	—	—	4,167
Placements with and loans to banks and other financial institutions	—	8	232	653	—	—	—	—	893
Other financial assets	387	640	315	640	17	—	—	2,795	4,794
Total financial assets	**4,241**	**82,073**	**64,711**	**132,827**	**64,319**	**58,013**	**592**	**2,811**	**409,587**
Financial Liabilities									
Deposits from customers	136,325	14,339	23,517	48,973	27,382	1,601	—	—	252,137
Financial assets sold under repurchase agreements	—	24,375	40,955	35,340	—	—	—	—	100,670
Placements from banks and other financial institutions	—	629	274	—	—	—	—	—	903
Deposits from banks and other financial Institutions	253	2,377	1,970	9,100	6,000	—	—	—	19,700
Debt securities in issue	—	—	—	—	4,993	3,992	—	—	8,985
Derivative financial liabilities	—	—	—	—	—	—	—	—	—
Other financial liabilities	1,345	635	287	1,143	1,562	1	—	33	5,006
Total financial liabilities	**137,923**	**42,355**	**67,003**	**94,556**	**39,937**	**5,594**	**—**	**33**	**387,401**
Liquidity gap	(133,682)	39,718	(2,292)	38,271	24,382	52,419	592	2,778	22,186
Cumulative liquidity gap	(133,682)	(93,964)	(96,256)	(57,985)	(33,603)	18,816	19,408	22,186	—

CAPITAL RESOURCES

Shareholders' Equity

As of June 30, 2013, shareholders' equity amounted to RMB22,186 million, an increase of 8.3% from RMB20,481 million as of December 31, 2012. Shareholders' equity increased by 19.0% from RMB14,357 million as of December 31, 2010 to RMB17,084 million as of December 31, 2011 and further increased by 19.9% to RMB20,481 million as of December 31, 2012.

The table below sets forth the changes in shareholders' equity for the periods indicated.

	Shareholders' equity
	(in millions of RMB)
As of January 1, 2010	**12,809**
Net Profit for the year	2,702
Other comprehensive income	(337)
Dividend distribution	(817)
As of December 31, 2010	**14,357**
Net Profit for the year	3,493
Other comprehensive income	51
Dividend distribution	(817)
As of December 31, 2011	**17,084**
Net Profit for the year	4,306
Other comprehensive income	(92)
Dividend distribution	(817)
As of December 31, 2012	**20,481**
Net Profit for the period	2,452
Other comprehensive income	23
Capital injection from minority equity holders of subsidiaries	47
Dividend distribution	(817)
As of June 30, 2013	**22,186**

Debt

Subordinated Bonds

In April 2011, we issued an aggregate principal amount of RMB4.0 billion subordinated bonds. The bonds have a term of 15 years and bear a fixed interest rate of 6.55% per annum. We have an option to redeem the bonds in 2021.

Financial Bonds

In March 2013, we issued two tranches of financial bonds with an aggregate principal amount of RMB5.0 billion. The first tranche with an aggregate principal amount of RMB2.8 billion has a term of three years and bears a fixed interest rate of 4.30% per annum. The second tranche with an aggregate principal amount of RMB2.2 billion has a term of five years and bears a fixed interest rate of 4.50% per annum.

Capital Adequacy

We are subject to capital adequacy requirements promulgated by the CBRC. Prior to January 1, 2013, our core capital, supplementary capital and risk-weighted assets were calculated in accordance with the Administrative Measures for the Capital Adequacy Ratios of Commercial Banks.

The table below sets forth certain information relating to our capital adequacy as of December 31, 2010, 2011 and 2012.

	As of December 31,		
	2010	2011	2012
	(in millions of RMB, except percentages)		
Core capital			
Paid-up share capital	8,175	8,175	8,175
Capital reserve	1,721	1,773	1,681
Surplus reserve and general reserve	1,766	2,586	3,561
Profit and loss	2,696	3,732	6,240
Total core capital	14,358	16,266	19,657
Supplementary capital			
General provisions	1,175	1,756	2,224
Subordinated bonds	—	4,000	4,000
Other supplementary capital	—	—	6
Total supplementary capital	1,175	5,756	6,230
Total capital	**15,533**	**22,022**	**25,887**
Deductions			
Unconsolidated equity investment	(152)	(140)	(140)
Net capital	**15,381**	**21,882**	**25,747**
Risk-weighted assets	**127,581**	**149,055**	**190,110**
Core capital adequacy ratio	**11.19%**	**10.87%**	**10.30%**
Capital adequacy ratio	**12.06%**	**14.68%**	**13.54%**

The table below sets forth certain information relating to our capital adequacy as of June 30, 2013, which was calculated in accordance with the Provisional Administrative Measures for the Capital Management of Commercial Banks that became effective on January 1, 2013.

	As of June 30, 2013
	(in millions of RMB, except percentages)
Core tier 1 capital	22,182
Paid-up capital	8,175
Capital reserves	1,705
Surplus reserve and general and statutory reserves	5,582
Retained Earnings	6,678
Non-controlling interests	43
Regulatory deductions	**(67)**
Net core tier 1 capital	**22,115**
Net tier 1 capital	**22,121**
Tier 2 capital	**6,362**
Tier 2 capital instruments and premium	3,593
Surplus loan loss provisions	2,758
Regulatory deductions	**—**
Net capital	**28,483**
Risk-weighted assets	**239,263**
Credit risk-weighted assets	223,380
Market risk-weighted assets	1,220
Operational risk-weighted assets	14,663
Core tier 1 capital adequacy ratio	**9.24%**
Tier 1 capital adequacy ratio	**9.25%**
Capital adequacy ratio	**11.90%**

OFF-BALANCE SHEET COMMITMENTS

Off-balance sheet commitments primarily consist of bank bill acceptance, unused credit card limits, letters of credit and guarantees and loan commitments. The table below sets forth the contractual amounts of off-balance sheet commitments as of the dates indicated.

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Credit commitments:				
Bank bill acceptance(1)	27,467	38,087	46,602	50,744
Letters of credit(2)	1,683	3,053	2,023	3,336
Unused credit card limits	516	544	1,709	2,278
Letters of guarantees(2)	1,656	1,753	1,675	1,774
Loan commitments(3)	52	298	467	406
Subtotal	31,374	43,735	52,476	58,538
Capital commitments	26	14	86	32
Operating lease commitments	174	288	496	731
Total	**31,574**	**44,037**	**53,058**	**59,301**

Notes:
(1) Bank bill acceptances refer to our undertakings to pay bank bills drawn on our customers.
(2) We issue letters of credit and guarantees to third parties to guarantee our customers' contractual obligations.
(3) Loan commitments represent our commitments to extend credit.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The table below sets forth the face value of off-balance sheet contractual obligations by remaining contract maturity as of June 30, 2013.

	As of June 30, 2013			
	Up to 1 year	1 year up to 5 years	Over 5 years	Total
	(in millions of RMB)			
Off-balance sheet:				
Bank bill acceptance	50,744	—	—	50,744
Letters of credit	3,314	22	—	3,336
Unused credit card limits	1,139	1,139	—	2,278
Letters of guarantees	906	865	3	1,774
Loan commitments	127	279	—	406
Subtotal	56,230	2,304	3	58,538
Capital commitments	18	14	0	32
Operating lease commitments	116	374	241	731
Total	**56,364**	**2,693**	**244**	**59,301**

QUANTITATIVE AND QUALITATIVE ANALYSIS OF MARKET RISK

Market risk is the risk of financial loss arising from changes in the value of a financial instrument as a result of changes in interest rates, foreign exchange rates, equity prices and commodity prices and other market changes that affect market risk-sensitive instruments.

Interest Rate Risk

Our interest rate risk primarily arises from mismatches between the repricing periods of assets and liabilities. Repricing period mismatches may cause net interest income to be affected by fluctuations in the prevailing levels of market interest rates. We are exposed to interest rate risk through our day-to-day lending and deposit-taking activities as well as treasury operations. We manage our exposure to interest rate risk primarily through the management of the maturity profile of loans and deposits.

Repricing Gap Analysis

The table below sets forth the results of our gap analysis as of June 30, 2013 based on the earlier of (i) the next expected repricing dates and (ii) the final maturity dates for our assets and liabilities.

	As of June 30, 2013							
	Within one month	Up to 3 months	3 months up to 1 year	1 year up to 5 years	Over 5 years	Interest-earning/ bearing	Non-interest earning/ bearing	Total
	(in millions of RMB)							
Financial Assets								
Loans and advances to customers, net	52,463	18,670	101,570	5,478	685	178,866	0	178,866
Investment securities and financial assets held for trading	9,309	7,495	13,558	23,360	15,198	68,920	16	68,936
Derivative financial assets	0	0	0	0	0	0	0	0
Cash and balances with central bank	58,635	0	0	0	0	58,635	1,015	59,650
Financial assets held under resale agreement	8,892	38,954	44,435	0	0	92,281	0	92,281
Due from banks and other financial institutions	2,253	854	1,060	0	0	4,167	0	4,167
Placements with and loans to banks and other financial institutions	8	232	653	0	0	893	0	893
Other financial assets	0	0	0	0	0	0	1,992	1,992
Total financial assets	**131,560**	**66,205**	**161,276**	**28,838**	**15,883**	**403,762**	**3,023**	**406,785**
Financial Liabilities								
Deposits from customers	150,664	23,517	48,973	27,382	1,601	252,137	0	252,137
Derivative financial assets	0	0	0	0	0	0	0	0
Financial assets sold under repurchase agreements	24,375	40,955	35,340	0	0	100,670	0	100,670
Deposits from banks and other financial institutions	2,630	1,970	9,100	6,000	0	19,700	0	19,700
Placements from banks and other financial institutions	629	274	0	0	0	903	0	903
Debt securities in issue	0	0	0	4,993	3,992	8,985	0	8,985
Other financial liabilities	0	0	0	0	0	0	3,574	3,574
Total financial liabilities	**178,298**	**66,716**	**93,413**	**38,375**	**5,593**	**382,395**	**3,574**	**385,969**
Total repricing gap	**(46,738)**	**(511)**	**67,863**	**(9,537)**	**10,290**	**21,367**	**(551)**	**20,816**

Sensitivity Analysis

We use sensitivity analysis to measure the potential effect of changes in interest rates on net interest income. The table below sets forth the results of our interest rate sensitivity analysis based on our assets and liabilities as of June 30, 2013.

	As of June 30, 2013	
	Change in interest rates (in 100 basis points)	
	Decrease	Increase
Changes in net interest income (in millions of RMB)	**(1,012)**	**1,012**

Based on our assets and liabilities as of June 30, 2013, a 100 basis points increase or decrease in interest rates will result in an increase or a decrease in net interest income of RMB1,012 million for the year subsequent to June 30, 2013.

This sensitivity analysis, which is based on a static interest rate risk profile of assets and liabilities, is used for risk management purposes only. The analysis measures only the impact of changes in the interest rates (as reflected by the repricing of assets and liabilities) on net interest income as of June 30, 2013 and is based on the assumptions that (i) there is a parallel shift in the interest rates of interest-bearing assets and liabilities, (ii) demand deposits will not be repriced, (iii) all assets and liabilities that reprice are considered repriced in the middle of the respective periods and (iv) there are no other changes to the portfolio. Actual changes in net interest income resulting from increases or decreases in interest rates may differ from the results of our sensitivity analysis.

Exchange Rate Risk

We are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on our financial position and cash flows. Our exchange rate risk primarily arises from currency mismatches in our assets and liabilities. We monitor our net currency positions to assess our exposure to exchange rate risk. We manage our exchange rate risk primarily by seeking to match our assets and liabilities on a currency-by-currency basis.

The table below sets forth our assets and liabilities by currency as of June 30, 2013.

	As of June 30, 2013			
	RMB	USD	Others	Total
	(in millions of RMB)			
Financial Assets				
Loans and advances to customers, net	177,428	1,417	21	178,866
Investment securities and financial assets held for trading	68,936	0	0	68,936
Derivative financial assets	0	0	0	0
Cash and balances with central bank	59,624	26	0	59,650
Financial assets held under resale agreement	92,281	0	0	92,281
Due from banks and other financial institutions	3,575	428	164	4,167
Placements with and loans to banks and other financial institutions	769	124	0	893
Other financial assets	1,991	1	0	1,992
Total financial assets	**404,604**	**1,996**	**185**	**406,785**
Financial Liabilities				
Deposits from customers	(251,536)	(583)	(18)	(252,137)
Derivative financial liabilities	0	0	0	0
Financial assets sold under repurchase agreements	(100,670)	0	0	(100,670)
Deposits from banks and other financial Institutions	(19,700)	0	0	(19,700)
Placements from banks and other financial Institutions	(157)	(746)	0	(903)
Debt securities in issue	(8,985)	0	0	(8,985)
Other financial liabilities	(3,569)	(5)	0	(3,574)
Total financial liabilities	**(384,617)**	**(1,334)**	**(18)**	**(385,969)**
Net balance sheet position	**19,987**	**662**	**167**	**20,816**

FINANCIAL DERIVATIVES

The following table sets forth the notional amount and the fair values of our financial derivatives as of the dates indicated.

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Notional Amount	Fair Value Assets	Fair Value Liabilities	Notional Amount	Fair Value Assets	Fair Value Liabilities	Notional Amount	Fair Value Assets	Fair Value Liabilities	Notional Amount	Fair Value Assets	Fair Value Liabilities
	(in thousands of RMB)											
Currency forwards	–	–	–	–	–	–	–	–	–	321	210	(91)
Total		–	–		–	–		–	–		**210**	**(91)**

CAPITAL EXPENDITURES

Our capital expenditures, which primarily consist of cash payment for the purchases of property and equipment and construction expenses, were RMB184 million, RMB252 million, RMB395 million and RMB88 million for the years ended December 2010, 2011 and 2012 and the six months ended June 30, 2013.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The estimates that we use in applying our accounting policies may have a significant impact on our results of operations and financial positions included in this section and elsewhere in this document. These estimates involve assumptions about such items as cash flows and discount rates used. Our estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgments are also made during the process of applying our accounting policies. Below is a summary of the accounting policies used in the preparation of our financial statements that we believe involve the most significant estimates and judgments.

Impairment Losses on Loans and Advances

We review our loan portfolio to assess impairment losses on a periodic basis unless there is evidence suggesting that an impairment loss have occurred. In determining whether an impairment loss exists, we make judgments as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows from a loan portfolio when no decrease in cash flow is identified with any single loan in that portfolio. Evidences for impairment losses include (i) observable data indicating there has been adverse changes in the payment status of borrowers of loans within the portfolio and (ii) adverse changes in the national or local economic conditions that may result in defaults on loans within the portfolio. Our management estimates the future cash flows from a loan portfolio based on our historical loss experience with assets that exhibit similar credit risk characteristics and objective evidence of impairment. We review the methodologies and assumptions used to estimate the amount and timing of future cash flows regularly to minimize the difference between the estimated impairment losses and our actual impairment losses.

Fair Value of Financial Instruments

The fair value of financial instruments that are not quoted on active markets are determined by using valuation techniques. Valuation techniques used by us include, among others, discounted cash flow analysis and model. The discounted cash flow analysis and model uses only observable data to the extent possible. However, areas such as credit risk, volatilities and correlations require our management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Held-to-maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments. This classification requires significant judgment. In making this judgment, we evaluate our intention and ability to hold such investments to maturity. If we fail to hold these investments to maturity, we will be required to reclassify our entire held-to-maturity investment portfolio as available-for-sale investments and will not be allowed to classify any of our investments as held-to-maturity investments in the two subsequent fiscal years.

Income Tax

In the ordinary course of business, many transactions and calculations involve uncertainties in the ultimate tax determination, and significant estimates are required in determining the provision for income taxes. We recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes will become due. If the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period during which such a determination is made.

INDEBTEDNESS

As of September 30, 2013, we had the following indebtedness:

- Debt securities issued in an aggregate principal amount of RMB9,000 million, including subordinated bonds of RMB4,000 million and financial bonds of RMB5,000 million;
- deposits from customers, deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements that arose from the normal course of our banking business; and
- Bank bill acceptance, unused credit card limits, letters of credit and guarantees, loan commitments and other commitments and contingencies that arose from the normal course of our banking business.

Except as disclosed above, we did not have, as of September 30, 2013, our latest balance sheet date, any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

Our directors have confirmed that there has not been any material change in our indebtedness or contingent liabilities since September 30, 2013.

RULES 13.13 TO 13.19 OF CERTAIN RULES AND REGULATIONS

We confirm that there are no circumstances which will trigger disclosure requirements under Rule 13.13 to Rule 13.19 of certain rules and regulations.

DIVIDEND POLICY

Our board of directors is responsible for submitting proposals in respect of dividend payments to our shareholders' general meeting for approval. The determination of whether to pay a dividend and in which amount is based on our results of operations, cash flow, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions and other factors that our board of directors deems relevant. Under the PRC Company Law and our Articles of Association, all of our shareholders holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholding. Under PRC law, we may only pay dividends out of our profit after tax. Profit after tax for a given year represents net profit as determined under PRC GAAP or IFRS or the accounting standards of the overseas jurisdiction where our shares are listed, whichever is lower, less:

- any of our accumulated losses in prior years;
- appropriations we are required to make to the statutory reserve, which is currently 10% of our net profit as determined under PRC GAAP, until such reserve reaches an amount equal to 50% of our registered capital;
- a general reserve we are required to set aside; and
- appropriations to a discretionary surplus reserve as approved by the shareholders at a general meeting.

According to the relevant MOF regulations, financial institution are generally required to maintain a general reserve at 1.5% of the balance of their risk-bearing assets prior to making a profit distribution. As of June 30, 2013, we set aside RMB3,063 million as general reserve.

Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. We generally do not distribute dividends in a year in which there is no profit available for distribution. The payment of any dividend by us must also be approved at a shareholders' general meeting. We are not allowed to distribute profits to our shareholders until we have made up our losses and made appropriations to our statutory and general reserves. Our shareholders are required to return any profit distributed in violation of the relevant regulations.

The CBRC has the discretionary authority to prohibit any bank that fails to meet the relevant capital adequacy ratio requirements, or has violated any other PRC banking regulations, from paying dividends or making other forms of distributions. As of June 30, 2013, we had a capital adequacy ratio of 11.90% and a core tier 1 capital adequacy ratio of 9.24%.

We declared cash dividends in the amount of RMB817 million, RMB817 million and RMB817 million in 2010, 2011 and 2012, respectively, representing RMB0.1, RMB0.1 and RMB0.1 per share before tax.

At a general meeting of our domestic shareholders on July 10, 2013, our domestic shareholders approved that the accumulated undistributed profits prior to certain event shall be attributable to shareholders after certain event.

NO MATERIAL ADVERSE CHANGE

Our directors confirm that there has been no material adverse change in our financial or trading position since June 30, 2013.

WORKING CAPITAL

Rule 8.21A(1) and Paragraph 36 of Part A of Appendix 1A of certain rules and regulations require this document to include a statement by our directors that, in their opinion, the working capital available to our bank is sufficient or, if not, how it is proposed to provide the additional working capital our directors consider to be necessary. We are of the view that the traditional concept of "working capital" does not apply to banking businesses such as ours. We are regulated in China by, among others, the PBOC and the CBRC. These regulatory authorities impose minimum capital adequacy and liquidity requirements on commercial banks operating in China. Rule 8.21A (2) of certain rules and regulations provides that such a working capital statement will not be required to be made by an issuer whose business is entirely or substantially that of the provision of financial services, provided that is satisfied that the inclusion of such a statement would not provide significant information for investors and that the issuer's solvency and capital adequacy are subject to prudential supervision by another regulatory body. In view of the above, pursuant to Rule 8.21A (2) of certain rules and regulations, we are not required to include a working capital statement from our directors in this document.

FUTURE PLANS

See "Business—Strategy" section for a detailed description of our future plans and strategies.

[Draft]

[Date]

The Directors
Huishang Bank Corporation Limited

Dear Sirs,

We report on the financial information of Huishang Bank Corporation Limited (the "Bank") and its subsidiary (together, the "Group"), which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Bank as at December 31, 2010, 2011 and 2012 and June 30, 2013, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2010, 2011, and 2012 and the six months ended June 30, 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the Directors of the Bank and is set out in Sections I to III below for inclusion in Appendix I to the document of the Bank dated (the "Document").

The Bank was formerly known as Hefei City United Bank, a regional joint stock commercial bank in Anhui Province which was established on April 4, 1997 with the approval of the People's Bank of China (the "PBOC"), Anhui branch of the PBOC and Anhui Economic Reform Committee and was renamed as Hefei City Commercial Bank Corporation Limited in 1998. The Bank was further renamed as Huishang Bank Corporation Limited in 2005 with the approval of the general office of China Banking Regulatory Commission (the "CBRC") and CBRC Anhui Office.

As at the date of this report, the Bank has direct interests in a subsidiary and associates as set out in Note 23 and Note 24 of Section II below. All of these companies are private companies.

The Directors of the Bank have prepared the consolidated financial statements of the Group for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 in accordance with Accounting Standards for Business Enterprises of the People's Republic of China (the "CAS") issued by the China Ministry of Finance (the "Consolidated Financial Statements"). The Directors of the Bank are responsible for the preparation of the Consolidated Financial Statements that gives a true and fair view in accordance with CAS. The Consolidated Financial Statements were audited by PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) in accordance with China Standards on Auditing (the "CSA") issued by Chinese Institute of Certified Public Accountants (the "CICPA") pursuant to separate terms of engagement with the Bank.

The financial information presented below, prepared in accordance with International Financial Reporting Standards (the "IFRS") issued by the International Accounting Standards Board (the "IASB"), has been prepared based on the Consolidated Financial Statements, after making such adjustments as are appropriate.

Directors' Responsibility for the Financial Information

The Directors of the Bank are responsible for the preparation of financial information that gives a true and fair view in accordance with IFRS issued by the IASB, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Bank and of the Group as at December 31, 2010, 2011 and 2012 and June 30, 2013, and of the Group's results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Document, which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2012, and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The Directors of the Bank are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 3 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by International Auditing and Assurance Standards Board. A review of the Stub Period Comparative Financial information 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.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material aspects, in accordance with the accounting policies set out in Note 3 of Section II below.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by directors of the Bank as at December 31, 2010, 2011, and 2012 and June 30, 2013 and for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013 (the "Financial Information"):

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Year ended December 31,			Six months ended June 30,	
		2010	2011	2012	2012	2013
					(unaudited)	
Interest income	5	8,256,298	11,252,599	15,161,363	6,885,994	9,079,852
Interest expense	5	(2,239,411)	(4,163,893)	(6,592,515)	(2,751,466)	(4,355,746)
Net interest income		6,016,887	7,088,706	8,568,848	4,134,528	4,724,106
Fee and commission income	6	294,024	461,172	451,515	190,649	329,317
Fee and commission expense	6	(42,749)	(48,411)	(55,784)	(17,500)	(36,012)
Net fee and commission income		251,275	412,761	395,731	173,149	293,305
Net trading income	7	(32,061)	51,947	40,494	93,684	28,725
Net gains/(losses) on investment securities		(32,373)	30,350	66,593	51,148	4,150
Dividend income		343	2,249	305	280	—
Other operating income	8	65,986	65,111	162,994	70,926	68,134
Operating income		6,270,057	7,651,124	9,234,965	4,523,715	5,118,420
Operating expenses	9	(2,203,049)	(2,500,374)	(3,132,268)	(1,404,016)	(1,511,386)
Impairment losses on assets	12	(578,375)	(578,853)	(457,715)	(264,598)	(424,316)
Operating profit		3,488,633	4,571,897	5,644,982	2,855,101	3,182,718
Share of profits of associates		13,440	31,750	35,056	12,128	24,024
Profit before income tax		3,502,073	4,603,647	5,680,038	2,867,229	3,206,742
Income tax expense	13	(799,720)	(1,111,037)	(1,373,645)	(713,868)	(754,717)
Profit for the year/period		2,702,353	3,492,610	4,306,393	2,153,361	2,452,025
Other comprehensive income						
Fair value changes on available-for-sale financial assets	42	(445,279)	87,910	(122,018)	230,293	31,479
Amortization of unrealised fair value changes after reclassification to held-to-maturity investments	42	(3,806)	(19,771)	—	—	—
Less: related income tax impact	42	112,271	(17,034)	30,505	(57,573)	(7,870)
Net other comprehensive income		(336,814)	51,105	(91,513)	172,720	23,609
Comprehensive income for the year/period		2,365,539	3,543,715	4,214,880	2,326,081	2,475,634

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

		Year ended December 31,			Six months ended June 30,	
	Note	2010	2011	2012	2012	2013
					(unaudited)	
Net profit attributable to:						
Shareholders of the Bank		2,702,353	3,492,610	4,306,393	2,153,361	2,452,020
Non-controlling interests		—	—	—	—	5
		2,702,353	3,492,610	4,306,393	2,153,361	2,452,025
Total comprehensive income attributable to:						
Shareholders of the Bank		2,365,539	3,543,715	4,214,880	2,326,081	2,475,629
Non-controlling interests		—	—	—	—	5
		2,365,539	3,543,715	4,214,880	2,326,081	2,475,634
Earnings per share for profit attributable to the shareholders of the Bank (express in RMB per share)						
Basic/Diluted	14	0.33	0.43	0.53	0.26	0.30
Dividends		817,482	817,482	817,482	—	—

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	As at December 31, 2010	2011	2012	As at June 30, 2013
Assets					
Cash and balances with central banks	15	34,579,526	55,828,644	57,649,283	59,650,268
Due from banks and other financial institutions	16	1,496,352	7,076,208	3,833,665	4,167,340
Placements with and loans to banks and other financial institutions	17	1,237,152	3,581,172	2,813,377	892,597
Financial assets held for trading	18	2,717,898	5,035,807	3,598,834	3,668,418
Derivative financial assets	19	—	—	—	210
Financial assets held under resale agreements	20	10,542,884	5,317,376	38,198,123	92,280,894
Loans and advances to customers	21	114,058,443	133,922,883	159,941,475	178,866,061
Investment securities					
—loans and receivables	22	6,888,458	3,815,116	1,814,189	8,433,399
—available-for-sale	22	20,865,630	18,356,903	25,580,605	31,121,906
—held-to-maturity	22	13,190,678	20,604,548	26,062,726	25,712,109
Investment in associates	24	153,440	185,190	220,246	310,730
Property, plant and equipment	25	1,150,470	1,186,089	1,404,413	1,398,680
Deferred income tax assets	34	681,674	751,470	851,158	860,844
Other assets	26	1,413,543	1,320,150	2,256,263	2,223,641
Total assets		208,976,148	256,981,556	324,224,357	409,587,097
Liabilities					
Deposits from banks and other financial institutions	28	9,822,442	9,323,486	5,965,250	19,700,338
Placements from banks and other financial institutions	29	1,263,140	3,534,522	898,200	902,915
Derivative financial liabilities	19	—	—	—	91
Financial assets sold under repurchase agreements	30	20,797,969	16,184,796	47,883,466	100,670,105
Deposits from customers	31	159,582,006	203,579,704	239,543,123	252,137,307
Taxes payable	32	532,773	404,877	504,455	266,845
Debt securities in issue	35	—	3,991,461	3,991,828	8,985,243
Other liabilities	33	2,620,525	2,879,184	4,957,111	4,737,977
Total liabilities		194,618,855	239,898,030	303,743,433	387,400,821
Equity					
Share capital	36	8,174,819	8,174,819	8,174,819	8,174,819
Capital reserve	36	1,806,700	1,806,700	1,806,700	1,806,700
Surplus reserve	37	688,903	1,308,399	2,088,299	2,518,938
General reserve	37	1,077,380	1,277,380	1,472,380	3,062,782
Reserve for fair value changes of available-for-sale financial assets	37	(85,275)	(34,170)	(125,683)	(102,074)
Retained earnings		2,694,766	4,550,398	7,064,409	6,677,906
Total equity attributable to shareholders of the Bank		14,357,293	17,083,526	20,480,924	22,139,071
Non-controlling interests		—	—	—	47,205
Total equity		14,357,293	17,083,526	20,480,924	22,186,276
Total equity and liabilities		208,976,148	256,981,556	324,224,357	409,587,097

STATEMENTS OF FINANCIAL POSITION OF THE BANK

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	As at December 31, 2010	2011	2012	As at June 30, 2013
Assets					
Cash and balances with central banks	15	34,579,526	55,828,644	57,649,283	59,648,471
Due from banks and other financial institutions	16	1,496,352	7,076,208	3,833,665	4,167,340
Placements with and loans to banks and other financial institutions	17	1,237,152	3,581,172	2,813,377	892,597
Financial assets held for trading	18	2,717,898	5,035,807	3,598,834	3,668,418
Derivative financial assets	19	—	—	—	210
Financial assets held under resale agreements	20	10,542,884	5,317,376	38,198,123	92,280,894
Loans and advances to customers	21	114,058,443	133,922,883	159,941,475	178,865,861
Investment securities					
—loans and receivables	22	6,888,458	3,815,116	1,814,189	8,433,399
—available-for-sale	22	20,865,630	18,356,903	25,580,605	31,121,906
—held-to-maturity	22	13,190,678	20,604,548	26,062,726	25,712,109
Investment in subsidiaries	23	—	—	—	32,800
Investment in associates	24	153,440	185,190	220,246	310,730
Property, plant and equipment	25	1,150,470	1,186,089	1,404,413	1,398,680
Deferred income tax assets	34	681,674	751,470	851,158	860,844
Other assets	26	1,413,543	1,320,150	2,256,263	2,223,641
Total assets		208,976,148	256,981,556	324,224,357	409,617,900
Liabilities					
Deposits from banks and other financial institutions	28	9,822,442	9,323,486	5,965,250	19,789,440
Placements from banks and other financial institutions	29	1,263,140	3,534,522	898,200	902,915
Derivative financial liabilities	19	—	—	—	91
Financial assets sold under repurchase agreements	30	20,797,969	16,184,796	47,883,466	100,670,105
Deposits from customers	31	159,582,006	203,579,704	239,543,123	252,126,220
Taxes payable	32	532,773	404,877	504,455	266,842
Debt securities in issue	35	—	3,991,461	3,991,828	8,985,243
Other liabilities	33	2,620,525	2,879,184	4,957,111	4,737,976
Total liabilities		194,618,855	239,898,030	303,743,433	387,478,832
Equity					
Share capital	36	8,174,819	8,174,819	8,174,819	8,174,819
Capital reserve	36	1,806,700	1,806,700	1,806,700	1,806,700
Surplus reserve	37	688,903	1,308,399	2,088,299	2,518,938
General reserve	37	1,077,380	1,277,380	1,472,380	3,062,782
Reserve for fair value changes of available-for-sale financial assets	37	(85,275)	(34,170)	(125,683)	(102,074)
Retained earnings		2,694,766	4,550,398	7,064,409	6,677,903
Total equity		14,357,293	17,083,526	20,480,924	22,139,068
Total equity and liabilities		208,976,148	256,981,556	324,224,357	409,617,900

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to shareholders of the Bank							
	Share capital Note 36	Capital reserve Note 36	Surplus reserve Note 37	General reserve Note 37	Reserve for fair value changes of available-for-sale financial assets Note 37	Retained earnings	Non-controlling interests	Total equity
As at January 1, 2010	8,174,819	1,806,700	418,668	1,077,380	251,539	1,080,130	—	12,809,236
Profit for the year	—	—	—	—	—	2,702,353	—	2,702,353
Changes in fair value taken to other comprehensive income	—	—	—	—	(336,814)	—	—	(336,814)
Total comprehensive income	—	—	—	—	(336,814)	2,702,353	—	2,365,539
Dividends	—	—	—	—	—	(817,482)	—	(817,482)
Appropriation to surplus reserve	—	—	270,235	—	—	(270,235)	—	—
As at December 31, 2010	8,174,819	1,806,700	688,903	1,077,380	(85,275)	2,694,766	—	14,357,293
As at January 1, 2011	8,174,819	1,806,700	688,903	1,077,380	(85,275)	2,694,766	—	14,357,293
Profit for the year	—	—	—	—	—	3,492,610	—	3,492,610
Changes in fair value taken to other comprehensive income	—	—	—	—	51,105	—	—	51,105
Total comprehensive income	—	—	—	—	51,105	3,492,610	—	3,543,715
Dividends	—	—	—	—	—	(817,482)	—	(817,482)
Appropriation to surplus reserve	—	—	619,496	—	—	(619,496)	—	—
Appropriation to general reserve	—	—	—	200,000	—	(200,000)	—	—
As at December 31, 2011	8,174,819	1,806,700	1,308,399	1,277,380	(34,170)	4,550,398	—	17,083,526

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to shareholders of the Bank							
	Share capital Note 36	Capital reserve Note 36	Surplus reserve Note 37	General reserve Note 37	Reserve for fair value changes of available-for-sale financial assets Note 37	Retained earnings	Non-controlling interests	Total equity
As at January 1, 2012	8,174,819	1,806,700	1,308,399	1,277,380	(34,170)	4,550,398	—	17,083,526
Profit for the year	—	—	—	—	—	4,306,393	—	4,306,393
Changes in fair value taken to other comprehensive income	—	—	—	—	(91,513)	—	—	(91,513)
Total comprehensive income	—	—	—	—	(91,513)	4,306,393	—	4,214,880
Dividends	—	—	—	—	—	(817,482)	—	(817,482)
Appropriation to surplus reserve	—	—	779,900	—	—	(779,900)	—	—
Appropriation to general reserve	—	—	—	195,000	—	(195,000)	—	—
As at December 31, 2012	8,174,819	1,806,700	2,088,299	1,472,380	(125,683)	7,064,409	—	20,480,924
As at January 1, 2012	8,174,819	1,806,700	1,308,399	1,277,380	(34,170)	4,550,398	—	17,083,526
Profit for the period	—	—	—	—	—	2,153,361	—	2,153,361
Changes in fair value taken to other comprehensive income	—	—	—	—	172,720	—	—	172,720
Total comprehensive income	—	—	—	—	172,720	2,153,361	—	2,326,081
Dividends	—	—	—	—	—	(817,482)	—	(817,482)
Appropriation to surplus reserve	—	—	349,261	—	—	(349,261)	—	—
Appropriation to general reserve	—	—	—	195,000	—	(195,000)	—	—
As at June 30, 2012 (Unaudited)	8,174,819	1,806,700	1,657,660	1,472,380	138,550	5,342,016	—	18,592,125

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to shareholders of the Bank							
	Share capital Note 36	Capital reserve Note 36	Surplus reserve Note 37	General reserve Note 37	Reserve for fair value changes of available-for-sale financial assets Note 37	Retained earnings	Non-controlling interests	Total equity
As at January 1, 2013	8,174,819	1,806,700	2,088,299	1,472,380	(125,683)	7,064,409	—	20,480,924
Profit for the period	—	—	—	—	—	2,452,020	5	2,452,025
Changes in fair value taken to other comprehensive income	—	—	—	—	23,609	—	—	23,609
Total comprehensive income	—	—	—	—	23,609	2,452,020	5	2,475,634
Capital injection by non-controlling interests in setting up subsidiary	—	—	—	—	—	—	47,200	47,200
Dividends	—	—	—	—	—	(817,482)	—	(817,482)
Appropriation to surplus reserve	—	—	430,639	—	—	(430,639)	—	—
Appropriation to general reserve	—	—	—	1,590,402	—	(1,590,402)	—	—
As at June 30, 2013	8,174,819	1,806,700	2,518,938	3,062,782	(102,074)	6,677,906	47,205	22,186,276

CONSOLIDATED STATEMENTS OF CASH FLOWS

(All amounts expressed in thousands of RMB unless otherwise stated)

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Cash flows from operating activities:					
Profit before income tax	3,502,073	4,603,647	5,680,038	2,867,229	3,206,742
Adjustments:					
Depreciation and amortization	165,750	169,853	201,204	93,513	115,643
Loan impairment provision	581,586	598,545	468,517	264,812	425,191
Reversal of impairment of other assets	—	(17,931)	(9,618)	—	—
Net (gains)/losses on disposals of property, plant and equipment	—	(66,383)	(26,143)	(5,502)	(4,826)
Net (gains)/losses on de-recognition of investment securities	32,373	(30,350)	(66,593)	(51,148)	(4,150)
Fair value changes in financial assets held for trading and derivatives	53,524	(34,499)	(18,840)	(84,046)	(17,665)
Dividends received	(343)	(2,249)	(305)	(280)	—
Share of results of associates	(13,440)	(31,750)	(35,056)	(12,128)	(24,024)
Interest income arising from investment securities	(1,432,913)	(1,885,265)	(2,225,375)	(1,078,183)	(1,173,497)
Interest expense arising from debt securities in issue	—	196,940	262,367	130,103	190,631
Net changes in operating assets:					
Net increase in balances with the central banks	(8,222,716)	(10,221,175)	(7,290,562)	(3,238,682)	(3,789,421)
Net decrease/(increase) in due from and placements with and loans to banks and other financial institutions	1,252,480	(2,794,237)	557,401	(1,895,904)	1,358,846
Net decrease/(increase) in financial assets held for trading	54,973	(2,283,410)	1,455,813	170,665	(52,038)
Net (increase)/decrease in financial assets held under resale agreements	(6,728,197)	5,225,508	(32,880,747)	(35,037,862)	(54,082,771)
Net increase in loans and advances to customers	(20,534,833)	(18,760,642)	(26,470,079)	(17,056,152)	(19,331,586)
Net (increase)/decrease in other assets	(474,616)	(1,299,103)	(701,033)	(236,539)	96,853
Net changes in operating liabilities:					
Net increase/(decrease) in deposits and placements from banks and other financial institutions	3,626,868	85,868	(5,994,558)	19,909,908	13,739,803
Net increase/(decrease) in financial assets sold under repurchase agreements	13,759,939	(4,613,173)	31,698,670	27,097,666	52,786,639
Net increase/(decrease) in deposits from customers	27,021,322	43,997,698	35,963,419	8,589,500	12,594,184
Net increase/(decrease) in other liabilities	446,915	1,792,623	2,179,845	648,683	(304,276)
Income taxes paid	(771,529)	(1,374,817)	(1,438,663)	(953,902)	(927,980)
Net cash inflow/(outflow) from operating activities	12,319,216	13,255,698	1,309,702	121,751	4,802,298

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Cash flows from investing activities:					
Dividends received	343	2,249	305	280	—
Proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets	45,727	104,525	29,178	12,327	9,588
Purchase of property, plant and equipment, intangible assets and other long-term assets	(168,340)	(230,895)	(415,597)	(238,464)	(106,754)
Cash received from investment securities' interest income	1,382,386	1,739,438	1,975,598	989,755	1,098,144
Cash received from investment securities	9,997,802	10,329,787	45,992,682	13,231,268	18,914,004
Purchase of investment securities	(21,194,340)	(12,199,377)	(56,729,060)	(27,922,445)	(30,688,269)
Cash paid in increasing the investment in associates	(40,000)	—	—	—	(66,460)
Net cash outflow from investing activities	(9,976,422)	(254,273)	(9,146,894)	(13,927,279)	(10,839,747)
Cash flows from financing activities:					
Proceeds from issuance of debt securities	—	3,991,200	—	—	4,992,700
Cash received from non-controlling interests in investing in subsidiary	—	—	—	—	47,200
Dividends and interests paid on bonds issued	(926,622)	(812,513)	(1,085,987)	(1,033,140)	(1,000,681)
Net cash (outflow)/inflow from financing activities	(926,622)	3,178,687	(1,085,987)	(1,033,140)	4,039,219
Impact on cash and cash equivalents resulted from foreign exchange rate changes	(8,178)	(22,530)	(9,345)	(12,248)	(18,465)
Net increase/(decrease) in cash and cash equivalents	1,407,994	16,157,582	(8,932,524)	(14,850,916)	(2,016,695)
Cash and cash equivalents at beginning of year	11,268,231	12,676,225	28,833,807	28,833,807	19,901,283
Cash and cash equivalents at end of year (Note 43)	12,676,225	28,833,807	19,901,283	13,982,891	17,884,588

II NOTES TO THE FINANCIAL INFORMATION

(All amounts expressed in thousands of RMB unless otherwise stated)

1 General Information

Huishang Bank Corporation Limited (the "Bank") is a joint stock financial institution registered in Anhui Province, the People's Republic of China (the "PRC"). The Bank was formerly known as Hefei City United Bank, which was established on April 4, 1997 with the approval of the People's Bank of China ("PBOC"), Anhui branch of the PBOC and Anhui Economic Reform Committee and was renamed as Hefei City Commercial Bank Corporation Limited in 1998. With the approval of the general office of China Banking Regulatory Commission ("CBRC") and CBRC Anhui Office, the Bank merged with five city commercial banks of Wuhu, Ma' anshan, Anqing, Huaibei and Bengbu and seven city credit cooperatives of Huainan, Tongling, Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda in 2005. Following the completion of these mergers, the Bank was renamed as Huishang Bank Corporation Limited. The Bank holds the financial institution license B0162H234010001 from CBRC Anhui Office and the legal entity business license No. 340000000026144 from Anhui Provincial Administration of Industry and Commerce. The registered address of the Bank is Block A, Tianhui Building, No. 79, Anqing Road, Hefei, China. As at June 30, 2013, the registered capital of the Bank is RMB 8.175 billion.

The Bank's principal activities are the acquisition of deposits from the corporate and retail customers and the use of these deposits to fund the loan and investment portfolios, and the treasury operations which mainly encompass money market activities, investment and trading activities and transactions on behalf of customers in the PRC.

2 Basis of preparation

The Financial Information has been prepared in accordance with the International Financial Reporting Standards ('IFRS'), disclosure requirements of the Hong Kong Companies Ordinance.

The Financial Information have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss (including derivative instruments).

The preparation of Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 3.2.

2.1 Transition to IFRS

These are the Group's first Financial Information prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the Financial Information for the years ended December 31, 2010, 2011 and 2012, and the six months ended June 30, 2013, the comparative financial information presented in the Financial Information for the six months ended June 30, 2012 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Group's date of transition).

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared with PRC GAAP.

The Group's first-time adoption did not have an impact on equity, earnings and comprehensive income, and the total operating, investing or financing cash flows.

2.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group

Standards, amendments and interpretations that have been issued but not effective and have not yet been early adopted by the Group for six months ended June 30, 2013 are as follows:

	Effective from financial years starting on or after
IAS 32 Amendment: Presentation—Offsetting Financial Assets and Financial Liabilities	January 1, 2014
IFRS 10, 12 and IAS 27 Amendments: Investment Entities	January 1, 2014
IFRS 9, Financial instruments—classification of financial assets and financial liabilities	To be determined

IAS 32 Amendment provides additional application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

IFRS 10, IFRS 12 and IAS 27 Amendments apply to a particular class of business that qualifies as investment entities. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

IFRS 9 and IFRS 9 Amendments replaced those parts of IAS 39 relating to the classification, measurement and de-recognition of financial assets and liabilities with key changes mainly related to the classification and measurement of financial assets and certain types of financial liabilities. Together with the amendments to IFRS 9, IFRS 7—Financial Instruments: Disclosures is also amended to require additional disclosures on transition from IAS 39 to IFRS 9.

The Group is in the process of assessing the impact of these new standards and amendments on the Financial Information. The principal accounting policies adopted in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods unless otherwise stated.

3 Summary of significant accounting policies and accounting estimates

3.1 Summary of significant accounting policies

3.1.1 Accounting year

The Group's accounting year starts on January 1 and ends on December 31.

3.1.2 Functional and presentation currency

The Group's functional and presentation currency is RMB.

3.1.3 Consolidation

The consolidated financial statements comprise the financial statements of the Bank and all of its subsidiaries.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group. They are de-consolidated from the date that control ceases. The Group has applied IFRS 10 retrospectively in accordance with the transition provisions of IFRS 10.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Group and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Group.

Inter-company transactions, balances and unrealized profits on transactions between group companies are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to the Group are recognized as non-controlling interests and presented separately in the consolidated financial statements within equity and net profits respectively.

In the Bank's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. The results of subsidiaries are accounted for by the Bank on the basis of dividend received and receivable. The Group assesses at each financial reporting date whether there is objective evidence that investment in subsidiaries is impaired. An impairment loss is recognized for the amount by which the investment in subsidiaries' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investment in subsidiaries' fair value less costs to sell and value in use.

(b) Associates

Associates are all entities over which the Group has significant influence, through which the Group are entitled to participate in but have no control or joint control over the decision making of the associates' financial and operation policies.

Investments in associates are accounted for using the equity method of accounting. Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially recognized at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in income statement and the cost of investment in associates is adjusted upwards accordingly.

Under the equity method of accounting, the Group recognizes the investment gains or losses according to its share of net profit or loss of the investee. The Group discontinues recognizing its share of net losses of an investee after the carrying amount of the investment in associates together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognizing the investment losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into equity, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee.

The unrealised profits or losses arising from the transactions between the Group and its associates are eliminated in proportion to the Group's equity interest in the associates, and then based on which the investment gains or losses are recognized. Unrealized losses on the intra-bank transactions between the Group and its associates attributable to asset impairment cannot be eliminated.

In the Bank's statement of financial position, the investments in associates are stated at cost less provision for impairment loss. Where the carrying amount of an investment in associates is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 3.1.17).

3.1.4 Foreign currency translation

Monetary items denominated in foreign currency are translated into RMB with the closing rate as at the reporting date and translation differences are recognized in the income statement. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition.

3.1.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, such as cash, surplus reserve with the central bank, due from or placements with banks and other financial institutions with original tenors less than 3 months.

3.1.6 Financial instruments

Recognition and De-recognition of financial instruments

A financial asset or financial liability is recognized on trade-date, the date when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognized when one of the following conditions is met: (1) the contractual rights to receive cash flows from the investments have expired; (2) when the Group has transferred substantially all risks and rewards of ownership; (3) when the Group neither transfers nor retains substantially all risks or rewards of ownership of the financial asset but has not retained control of the financial asset.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been directly recognized in equity is recognized in the current profit or loss.

Financial liabilities are de-recognized when they are extinguished—that is, when the obligation is discharged, cancelled or expires. The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in current profit or loss.

Classification and measurement

Financial assets are classified into the following categories at initial recognition:

- financial assets at fair value through profit or loss;
- loans and receivables;
- available-for-sale financial assets;
- held-to-maturity investments.

Financial liabilities are classified into the following categories at initial recognition:

- financial liabilities at fair value through profit and loss;
- other financial liabilities.

The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss have two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-making. Derivatives are also categorized as held for trading unless they are financial guarantee contracts or designated and effective as hedging instruments.

Financial assets at fair value through profit or loss are initially recognized and subsequently measured at fair value on the balance sheet. The related transaction costs incurred at the time of acquisition are expensed in the income statement. Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognized in the income statement through net trading income in the period in which they arise. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognized in the income statement.

There are no financial assets those designated at fair value through profit or loss at inception for the Group.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets will be classified as loans and receivables when the Group provides funds or services directly to customers and does not sell them intentionally. Loans and receivables are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the financial assets. Loans and receivables are subsequently measured at amortized cost using effective interest method.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognized at fair value plus related transaction costs at time of acquisition, and are measured subsequently at amortized cost using the effective interest method.

The Group shall not classify any financial assets as held-to-maturity if the entity has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity other than restricted circumstances such as sales or reclassifications due to a significant deterioration in the issuer's creditworthiness or industry's regulatory requirements.

Available-for-sale financial assets

Available for sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories mentioned above. Such financial assets are recognized at fair value plus related transaction costs at time of acquisition, and are subsequently measured at fair value at balance sheet dates. Except for impairment losses and foreign exchange gains or losses arising from foreign currency monetary financial assets, gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognized directly in other comprehensive income, and ultimately in the equity, until the financial assets are de-recognized at which time the cumulative gains or losses previously recognized in equity should be reclassified from equity to the income statement. Interest income of available-for-sale debt instruments calculated using effective interest method and dividend income declared are recognized in the income statement.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss have two sub-categories: financial liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing or redeeming it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-making. Financial liabilities at fair value through profit or loss are initially recognized and subsequently measured at fair value on the balance sheet. The related transaction costs incurred at the time of incurrence are expensed in the income statement. Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognized in the income statement through net trading income.

Other financial liabilities

Other financial liabilities are initially recognized at fair value less transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Determination of fair value

The fair value is the prices from recent arm's length market transactions between knowledgeable and willing parties. The fair values of quoted financial instruments in active markets are based on current bid prices, as appropriate. Bid prices in active markets are the prices that are readily and regularly available from a stock exchange, dealer, broker, industrial association, or pricing service agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If there is no active market, the Group establishes fair value by using valuation techniques.

Valuation techniques include the use of recent arm's length transactions, fair values of substantially similar financial instruments, discounted cash flow analysis and option pricing models etc. The Group makes use of all factors that market participants would consider in setting a price, and incorporates these into its chosen valuation technique and tests for validity using prices from any observable current market transactions in the same instruments rather than specific factors related to the Group.

3.1.7 Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

3.1.8 Resale and repurchase agreements

Assets purchased under agreements to resell at a specified future date ("reverse repos") are not recognized on the statement of financial position at time of acquisition. The corresponding cash paid is recognized on the balance sheet as "financial assets held under resale agreements." Conversely, assets sold under agreements to repurchase at a specified future date with a specific price ("repos") are not derecognized. The corresponding cash received is recognized on the balance sheet as "financial assets sold for repurchase agreements."

The differences between the purchase and resale prices and sale and repurchase prices are recognized as interest income and interest expense respectively and are accrued over the term of the agreement using the effective interest rate method.

3.1.9 Impairment of financial assets

Financial assets carried at amortized cost

The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(iv) it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

(v) the disappearance of an active market for that financial asset because of financial difficulties;

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and then collectively assesses financial assets that are not individually significant. The Group performs a collective assessment for individually assessed financial assets with no objective evidence indicating impairment by including the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an impairment allowance account and the amount of loss is recognized in income statement.

As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for acquiring and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective assessment of impairment, financial assets are grouped on the basis of similar and relevant credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a financial asset is uncollectible, it is written off against the related allowance for impairment after all the necessary procedures have been completed and the amount of loss is determined. Subsequent recoveries of amounts previously written off are recognized in income statement against impairment losses on assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account and recognized in the income statement.

Available-for-sale financial assets

A significant or prolonged decline in the fair value of an equity instrument classified as available-for-sale indicates there is objective evidence that the equity instrument is impaired. The Group assesses the fair value of available-for-sale equity instruments individually at balance sheet date and determines that it is impaired if the fair value of the equity instrument declines to less than 50% (inclusive) or more of its initial cost or the fair value has been lower than its initial cost for more than one year (inclusive). If the fair value of the equity instruments is lower than 80% (inclusive) of the initial cost but higher than 50%, the Group would take into account other factors, such as price fluctuation etc, to determine whether the instrument is impaired. When the available-for-sale financial assets are impaired, the cumulative loss from declines in fair value that had been recognized directly in other comprehensive income are transferred out, and then recognized in the income statement. The amount of the cumulative loss that is transferred out and recognized in the income statement equals to the difference between its initial cost (net of principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in income statement.

If, in a subsequent period, the fair value of an impaired debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement. Impairment losses on equity instruments are not reversed through the income statement; increases in their fair value subsequent to impairment are recognized as other comprehensive income.

3.1.10 Offsetting of financial instruments

Financial assets and financial liabilities are separately presented in the balance sheet without any offsetting, except when:

(i) the Group has a legally enforceable right to offset the recognized amounts; and

(ii) the Group has intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.1.11 Property, plant and equipment

The Group's "property, plant and equipment" are buildings and architectures, electronic and other equipments and motor vehicles that are used for operation purpose and have useful lives of more than one year.

"Property, plant and equipment" shall be recognized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The assets purchased or constructed are initially measured at acquisition cost or deemed cost, as appropriate. Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognized. All other subsequent expenditures are recognized in the income statement during the period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. For the assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated residual value rate	Annual depreciation rate
Buildings	20 years	3%	4.85%
Motor vehicles	5 years	3%	19.40%
Electronic and other equipments	5-10 years	3%	9.7%~19.40%

The estimated useful life, the estimated residual value and the depreciation method applied to an asset are reviewed, and adjusted as appropriate by the Group at each year-end.

"Property, plant and equipment" are de-recognized on disposal or when no future economic benefits are expected from their use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of "property, plant and equipment" net of their carrying amounts and related taxes and expenses is recognized in the income statement. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 3.1.17).

3.1.12 Construction in progress

Construction in progress consists of assets under construction or being installed and is stated at cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalization and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to "property, plant and equipment" when the assets are ready for their intended use, and depreciation begins from the following month. Where the carrying amount of construction in progress is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 3.1.17).

3.1.13 Land use rights

Land use rights are initially recognized at costs and amortized using the straight-line basis over the legal term of use. If the acquisition costs of the land and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognized as "property, plant and equipment."

Where the carrying amount of land use rights is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 3.1.17).

3.1.14 Intangible assets

Intangible assets mainly include computer software which are measured at cost. Computer software are amortized on a straight-line basis over their estimated useful lives. For an intangible asset with a definite useful life, review of its useful life and amortization method is performed at each year-end, with adjustment made as appropriate.

Where the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 3.1.17).

3.1.15 Long-term prepaid expenses

Long-term prepaid expenses include expenditures that have been incurred but should be recognized as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortized on the straight-line basis over the expected useful economic lives and are presented at actual expenditure net of accumulated amortization.

3.1.16 Foreclosed assets

Foreclosed assets are measured at the fair value on the date of acquisition and are recognized by the lower of the book value and the recoverable amount. The impairment allowance is accrued in accordance with the excess amount of carrying amount over net recoverable amount.

The difference between the amount obtained from the disposal of foreclosed assets (minus any corresponding fees incurred in the disposal process) and the net book value is recorded in other operating income or operating expenses. The impairment allowance is reversed simultaneously.

3.1.17 Impairment of long-term non-financial assets

Fixed assets, construction in progress, land use rights, intangible assets with definite useful lives, and investments in associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, an allowance for impairment and an impairment loss are recognized in accordance with the difference. The recoverable amount is the higher of an asset's fair value less costs of disposal and the discounted value of the future cash flows expected to be derived from the asset.

Impairment allowance is calculated and recognized on individual basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined based on that of a group of assets to which the asset belongs. A group of assets is the smallest group of assets that is able to generate separately identifiable cash inflows.

Non financial assets that are suffered an impairment are reviewed for possible reversal of impairment at each reporting date.

3.1.18 Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labor union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

Salary and welfare are expensed in operating expenses in the accounting period of services rendered.

In accordance with the relevant laws and regulations, domestic employees of the Group participate in various social insurance schemes such as basic pension insurance, medical insurance, housing fund schemes and other social security schemes. In addition, the Group has participated in commercial medical insurance schemes provided by commercial insurance companies since October 2012.

Insurance expenses and pensions are calculated based on certain percentage of gross salary and are paid to the Labor and Social Security Bureau, and insurance companies, etc. The contribution ratios are defined by stipulating regulations or commercial contracts, which should be no higher than statutory upper ceilings. Contributions are recognized in the income statement for the current period.

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date. Under the plan, the participants who voluntarily leave the position before reaching the regulatory retirement age will receive benefit package upon approval from the management of the Group. The Group has recorded a liability for its obligation to employees retired before normal retirement age, which is the present value of the Group's future payment obligation, calculated by discounting the expected cash outflow based on the treasury bond interest rate for the term similar to that of the liability.

3.1.19 Interest income and expense

Interest income and expense for all interest-bearing financial assets and liabilities are recognized using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

3.1.20 Fee and commission income and expense

Fees and commissions are recognized on an accrual basis when the service has been provided.

3.1.21 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred income tax asset is recognized for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. As at the balance sheet date, deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred income tax assets are only recognized for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilized.

Deferred income tax related to fair value re-measurement of available-for-sale financial assets is charged or credited directly to equity and is subsequently transferred to the income statement when the financial assets are de-recognized.

Deferred income tax assets and liabilities are offset when:

(a) the deferred income taxes assets and liabilities related to income taxes levied by the same taxation authority;

(b) there is a legally enforceable right to offset current tax assets against current tax liabilities.

3.1.22 Leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. All leases other than finance leases are classified as operating leases.

Lease payments under an operating lease are recognized on a straight-line basis over the period of the lease, and are charged as an expense for the current period.

3.1.23 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

3.1.24 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition of financial guarantee contracts not designated at fair value through profit or loss at inception, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of fees recognized, and the best estimate of the amount required to settle any financial obligation arising at the financial reporting date. Any increase in the liability relating to guarantees is taken to the income statement.

3.1.25 Provisions

Provisions for restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are initially recognized using best estimates of expenditures expected to be required to settle the obligation, taking into consideration the risks, uncertainties and time value of money related to contingencies. Where the effect of time value of money is significant, provisions shall be determined by discounting the related future cash flows. The carrying amount of provisions is reviewed, and adjusted if appropriate, to reflect the best estimates at each balance sheet date.

3.1.26 Fiduciary activities

The Group commonly acts as appointees, trustees, agents and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

3.1.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group's reporting segments are decided based on its operating segments while taking full consideration of various factors such as products and services, geographical location and regulatory environment related to administration of the management. Operating segments meeting the same qualifications are allocated as one reporting segment, providing independent disclosures.

The purpose of segment reporting is to assist the chief operating decision maker in resource allocation and performance assessment of each segment. The same accounting policies as adopted in preparation of the Group's financial statements are used for segment reporting.

3.2 Critical accounting estimates and judgments

The Group continually evaluates the significant accounting estimates and judgments applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are outlined below. It is possible that actual results may be materially different from the estimates and judgments referred to below.

3.2.1 Impairment allowances on loans and advances

The Group reviews its loan portfolios to assess impairment on a periodic basis, unless known circumstances indicate that impairment may have occurred as of an interim date. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change (e.g. the borrower failed to make repayments on time) in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3.2.2 Fair value of financial instruments

The fair value of financial instruments that are not traded in active markets are determined by using valuation techniques. These techniques include the use of discounted cash flow analysis model etc. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

3.2.3 Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investments to maturity. This classification requires significant judgment. If the Group fails to keep these investments to maturity other than for the specific circumstances, it will be required to reclassify the entire class as available-for-sale investments and is prohibited from recognizing this kind of investments as held-to-maturity investment within the following two accounting years.

3.2.4 Income taxes

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Taxation matters such as tax deductible due to asset impairment loss are subject to the decision of taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax and deferred tax assets and liabilities in the period in which such determination is made.

4 Taxation

The principal taxes to which the Group is subject are listed below:

	Tax basis	Tax rate
Corporate income tax	Taxable profit	25%
Business tax	Taxable operating income	5%
City construction and maintenance tax	Business tax paid	7%
Education surcharges	Business tax paid	3%

5 Net interest income

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Interest income					
Balances with central banks	351,212	498,816	646,690	312,637	373,658
Due from and placement with and loans to banks and other financial institutions	411,335	773,567	1,591,502	364,242	1,613,127
Loans and advances to customers	6,060,838	8,094,951	10,697,796	5,130,932	5,919,570
Investment securities and financial assets held for trading	1,432,913	1,885,265	2,225,375	1,078,183	1,173,497
	8,256,298	11,252,599	15,161,363	6,885,994	9,079,852
Including: Interest income accrued on impaired loans to customers	18,375	15,785	15,846	8,111	17,316
Interest expense					
Deposits and placements from banks and other financial institutions	(652,063)	(1,476,238)	(2,269,499)	(767,166)	(1,928,192)
Deposits from customers	(1,587,348)	(2,490,715)	(4,060,649)	(1,854,197)	(2,236,923)
Debt securities in issue	—	(196,940)	(262,367)	(130,103)	(190,631)
	(2,239,411)	(4,163,893)	(6,592,515)	(2,751,466)	(4,355,746)
Net interest income	6,016,887	7,088,706	8,568,848	4,134,528	4,724,106

6 Net fee and commission income

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Fee and commission income					
Guarantee and commitment fees	2,806	35,657	42,082	10,536	34,250
Consultancy and advisory fees	113,430	159,056	65,115	30,933	74,974
Bank card fees	27,437	46,311	60,008	24,493	48,219
Settlement and clearing fees	52,626	74,445	75,290	38,148	40,825
Custodian and other fiduciary service fees	10,773	21,180	66,047	27,743	55,359
Syndicated loan fees	1,143	7,560	25,855	12,773	23,694
Agency commissions	59,277	73,182	41,999	19,509	15,230
Arrangement fees for international trade financing	1,130	7,022	12,404	9,315	9,253
Domestic factoring fees	791	2,956	10,658	4,268	11,538
Others	24,611	33,803	52,057	12,931	15,975
	294,024	461,172	451,515	190,649	329,317
Fee and commission expense	(42,749)	(48,411)	(55,784)	(17,500)	(36,012)
Net fee and commission income	251,275	412,761	395,731	173,149	293,305

7 Net trading income

	Year ended December 31,			Period ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Net gains from foreign exchange	21,463	17,448	21,654	9,638	11,179
Net gains/(losses) from interest rate instruments	(53,524)	34,499	18,840	84,046	17,546
	(32,061)	51,947	40,494	93,684	28,725

Net gains/(losses) from interest rate instruments include gains or losses arising from fair value changes of financial assets held for trading.

8 Other operating income

	Year ended December 31,			Period ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Net gains/(losses) on bills	6,008	(32,228)	99,350	61,256	55,327
Others	59,978	97,339	63,644	9,670	12,807
	65,986	65,111	162,994	70,926	68,134

9 Operating expenses

	Year ended December 31,			Period ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Employee benefit expenses (Note 10)	(964,786)	(1,000,151)	(1,325,424)	(603,697)	(636,339)
Administrative expenses	(617,480)	(729,240)	(781,461)	(304,969)	(322,323)
Business tax and surcharges	(389,570)	(506,972)	(684,804)	(345,325)	(370,599)
Depreciation (Note 25)	(132,110)	(126,805)	(139,733)	(65,352)	(77,931)
Amortization expenses for intangible assets (Note 26(e))	(10,773)	(17,036)	(21,794)	(10,611)	(12,320)
Amortization expenses for land use rights (Note 26(d))	(2,064)	(261)	(261)	(131)	(131)
Amortization expenses for long-term prepaid expenses	(20,803)	(25,751)	(39,416)	(17,419)	(25,261)
Operating lease rental expenses	(57,645)	(75,219)	(122,889)	(51,918)	(64,779)
Auditor's remuneration	(1,700)	(4,360)	(2,540)	—	—
Others	(6,118)	(14,579)	(13,946)	(4,594)	(1,703)
	(2,203,049)	(2,500,374)	(3,132,268)	(1,404,016)	(1,511,386)

Auditor's remuneration includes audit service fees for the year ended December 31, 2010, 2011, and 2012 and for the six months ended June 30, 2013, which are respectively RMB 1,600,000, RMB 3,400,000, RMB 2,440,000 and Nil. The rest are for non-audit services.

10 Employee benefit expenses

	Year ended December 31,			Period ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Salaries and bonuses	(746,702)	(779,857)	(986,174)	(458,897)	(460,017)
Pension costs	(59,789)	(72,824)	(94,461)	(40,129)	(63,709)
Labor union fee and staff education fee	(22,648)	(23,467)	(39,107)	(10,839)	(11,321)
Other social insurance and welfare costs	(135,647)	(124,003)	(205,682)	(93,832)	(101,292)
	(964,786)	(1,000,151)	(1,325,424)	(603,697)	(636,339)

11 Directors' and Supervisors' emoluments

(a) Details of the Directors' and Supervisors' emoluments are as follows:

	Year ended December 31, 2010				
Name	Fees	Salaries, bonuses and benefits	Employer's contribution to pension schemes	Discretionary bonuses	Total
Executive Directors					
Wang Xiaoxin	—	1,295	22	433	1,750
Wu Xuemin (Chief Executive)(1)	—	202	7	97	306
Zhang Renfu	—	978	19	325	1,322
Xu Demei	—	979	19	325	1,323
Zhang Youqi	—	978	18	325	1,321
Non-executive Directors					
Qian Zheng	—	—	—	—	—
Su Min	—	—	—	—	—
Guo Shigang	—	—	—	—	—
Wu Tian	—	—	—	—	—
Gao Yang	—	—	—	—	—
Wu Xiaoqiu	80	—	—	—	80
Dai Genyou(2)	45	—	—	—	45
Du Changdi	20	—	—	—	20
Liao Li	—	—	—	—	—
Chen Jiagui(3)	—	—	—	—	—
Huang Dekuan(3)	—	—	—	—	—
Supervisors					
Zhang Zhen	—	979	19	325	1,323
Li Xiaowan	—	791	17	260	1,068
Fan Xiaohui	—	349	12	—	361
Tao Haojie	—	—	—	—	—
Gao Tongguo	—	—	—	—	—
Wu Guozhong	—	—	—	—	—
Cheng Hong	—	—	—	—	—
Cheng Junpei	72	—	—	—	72
Fan Libo	64	—	—	—	64
Total	281	6,551	133	2,090	9,055

	Year ended December 31,				
	2011				
Name	Fees	Salaries, bonuses and benefits	Employer's contribution to pension schemes	Discretionary bonuses	Total
Executive Directors					
Wang Xiaoxin	—	1,267	33	497	1,797
Wu Xuemin (Chief Executive)	—	1,262	31	473	1,766
Zhang Renfu	—	1,254	28	456	1,738
Xu Demei	—	1,255	28	456	1,739
Ci Yaping(4)	—	836	18	304	1,158
Zhang Youqi(5)	—	418	9	152	579
Non-executive Directors					
Qian Zheng	—	—	—	—	—
Bai Taiping(6)	—	—	—	—	—
Guo Shigang	—	—	—	—	—
Wu Tian	—	—	—	—	—
Gao Yang	—	—	—	—	—
Su Min(7)	—	—	—	—	—
Wu Xiaoqiu	80	—	—	—	80
Dai Genyou	90	—	—	—	90
Liao Li(8)	—	—	—	—	—
Wang Shihao(9)	10	—	—	—	10
Zhang Shenghuai(9)	10	—	—	—	10
Wen Jinghui(9)	10	—	—	—	10
Du Changdi(10)	20	—	—	—	20
Supervisors					
Zhang Zhen	—	1,255	28	456	1,739
Xu Chongding(11)	—	819	15	—	834
Fan Xiaohui	—	671	19	—	690
Li Xiaowan(12)	—	488	225	122	835
Fang Xiao(13)	—	—	—	—	—
Gao Tongguo	—	—	—	—	—
Wu Guozhong	—	—	—	—	—
Cheng Hong	—	—	—	—	—
Tao Haojie(14)	—	—	—	—	—
Cheng Junpei	56	—	—	—	56
Fan Libo	64	—	—	—	64
Total	340	9,525	434	2,916	13,215

	Year ended December 31,				
	2012				
Name	Fees	Salaries, bonuses and benefits	Employer's contribution to pension schemes	Discretionary bonuses	Total
Executive Directors					
Wang Xiaoxin	—	1,280	32	497	1,809
Wu Xuemin (Chief Executive)	—	1,272	31	484	1,787
Zhang Renfu	—	1,267	28	456	1,751
Xu Demei	—	1,269	28	456	1,753
Ci Yaping	—	1,273	28	456	1,757
Non-executive Directors					
Zhang Feifei(15)	—	—	—	—	—
Qian Zheng	—	—	—	—	—
Guo Shigang	—	—	—	—	—
Wu Tian	—	—	—	—	—
Gao Yang	—	—	—	—	—
Bai Taiping(16)	—	—	—	—	—
Wu Xiaoqiu	70	—	—	—	70
Dai Genyou	80	—	—	—	80
Wang Shihao	20	—	—	—	20
Zhang Shenghuai	80	—	—	—	80
Wen Jinghui	70	—	—	—	70
Supervisors					
Zhang Zhen	—	1,267	28	456	1,751
Xu Chongding	—	1,494	27	—	1,521
Fan Xiaohui	—	874	18	—	892
Fang Xiao	—	—	—	—	—
Gao Tongguo	—	—	—	—	—
Wu Guozhong	—	—	—	—	—
Cheng Hong	—	—	—	—	—
Cheng Junpei	56	—	—	—	56
Fan Libo	56	—	—	—	56
Total	432	9,996	220	2,805	13,453

	Six months ended June 30,				
	2012 (unaudited)				
Name	Fees	Salaries, bonuses and benefits	Employer's contribution to pension schemes	Discretionary bonuses	Total
Executive Directors					
Wang Xiaoxin	—	641	16	304	961
Wu Xuemin (Chief Executive)	—	579	15	274	868
Zhang Renfu	—	486	14	228	728
Xu Demei	—	486	14	228	728
Ci Yaping	—	486	14	228	728
Non-executive Directors					
Zhang Feifei(15)	—	—	—	—	—
Qian Zheng	—	—	—	—	—
Guo Shigang	—	—	—	—	—
Wu Tian	—	—	—	—	—
Gao Yang	—	—	—	—	—
Bai Taiping(16)	—	—	—	—	—
Wu Xiaoqiu	10	—	—	—	10
Dai Genyou	10	—	—	—	10
Wang Shihao	10	—	—	—	10
Zhang Shenghuai	10	—	—	—	10
Wen Jinghui	10	—	—	—	10
Supervisors					
Zhang Zhen	—	486	14	228	728
Xu Chongding	—	618	14	—	632
Fan Xiaohui	—	315	9	—	324
Fang Xiao	—	—	—	—	—
Gao Tongguo	—	—	—	—	—
Wu Guozhong	—	—	—	—	—
Cheng Hong	—	—	—	—	—
Cheng Junpei	8	—	—	—	8
Fan Libo	—	—	—	—	—
Total	58	4,097	110	1,490	5,755

	Six months ended June 30,				
	2013				
Name	Fees	Salaries, bonuses and benefits	Employer's contribution to pension schemes	Discretionary bonuses	Total
Executive Directors	—	644	17	304	965
Wang Xiaoxin	—	582	16	274	872
Wu Xuemin (Chief Executive)	—	490	14	228	732
Zhang Renfu	—	491	14	228	733
Xu Demei	—	491	14	228	733
Ci Yaping					—
Non-executive Directors					
Zhang Feifei	—	—	—	—	—
Qian Zheng	—	—	—	—	—
Guo Shigang	—	—	—	—	—
Wu Tian	—	—	—	—	—
Gao Yang	—	—	—	—	—
Wu Xiaoqiu	20	—	—	—	20
Dai Genyou	20	—	—	—	20
Wang Shihao	—	—	—	—	—
Zhang Shenghuai	20	—	—	—	20
Wen Jinghui	20	—	—	—	20
Supervisors					
Zhang Zhen	—	489	14	228	731
Xu Chongding	—	624	14	—	638
Fan Xiaohui	—	392	12	—	404
Fang Xiao	—	—	—	—	—
Gao Tongguo	—	—	—	—	—
Wu Guozhong	—	—	—	—	—
Cheng Hong	—	—	—	—	—
Cheng Junpei	16	—	—	—	16
Fan Libo	16	—	—	—	16
Total	112	4,203	115	1,490	5,920

(1) Wu Xuemin was elected to be executive director effective from October 2010.
(2) Dai Genyou was elected to be independent non-executive director effective from October 2010.
(3) Chen Jiagui and Huang Dekuan ceased to be independent non-executive director effective from October 2010.
(4) Ci Yaping was elected to be executive director effective from May 2011.
(5) Zhang Youqi ceased to be executive director effective from May 2011.
(6) Bai Taiping was elected to be non-executive director effective from May 2011.
(7) Su Min ceased to be non-executive director effective from May 2011.
(8) Liao Li ceased to be independent non-executive director effective from May 2011.
(9) Wang Shihao, Zhang Shenghuai and Wen Jinghui were elected to be independent non-executive director effective from October 2011.
(10) Du Changdi ceased to be independent non-executive director effective from October 2011.
(11) Xu Chongding was elected to be supervisor effective from April 2011.
(12) Li Xiaowan ceased to be supervisor effective from April 2011.
(13) Fang Xiao was elected to be supervisor effective from October 2011.
(14) Tao Haojie ceased to be supervisor effective from October 2011.
(15) Zhang Feifei was elected to be non-executive director effective from April 2012.
(16) Bai Taiping ceased to be non-executive director effective from April 2012.

(b) Five highest paid individuals

For the year ended December 31, 2010, five highest paid individuals include 2 directors and 1 supervisor. For the year ended December 31, 2011, five highest paid individuals include 3 directors and 1 supervisor. For the year ended December 31, 2012, five highest paid individuals include 3 directors. For the period ended June 30, 2012, five highest paid individuals include 4 directors. For the period ended June 30, 2013, five highest paid individuals include 4 directors. Details are listed above.

The emoluments for the rest of the five highest paid individuals for the Relevant Periods are as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Salaries, bonuses and benefits	1,958	1,255	2,541	486	491
Employer's contribution to pension schemes	38	28	56	14	14
Discretionary bonuses	649	456	912	228	228
	2,645	1,739	3,509	728	733

The emoluments fell within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
RMB500,001-RMB1,000,000	—	—	—	1	1
RMB1,000,001-RMB1,500,000	2	—	—	—	—
RMB1,500,001-RMB2,000,000	—	1	2	—	—
	2	1	2	1	1

No emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12 Impairment losses on assets

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Loans and advances to customers (Note 21(b))					
—Collectively assessed	(566,394)	(563,125)	(422,494)	(321,354)	(258,156)
—Individually assessed	(15,192)	(35,420)	(46,023)	56,542	(167,035)
—Recovery of written-off loans	3,211	1,761	1,184	214	875
Available-for-sale financial assets	—	—	(276)	—	—
Reversal of provision for placements with and loans to banks and other financial institutions (Note 17)	—	422	9,664	—	—
Reversal of provision for foreclosed assets	—	17,509	230	—	—
	(578,375)	(578,853)	(457,715)	(264,598)	(424,316)

13 Income tax expense

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Current income tax					
—PRC mainland income tax	(957,069)	(1,197,867)	(1,442,828)	(706,053)	(772,273)
Deferred income tax (Note 34)	157,349	86,830	69,183	(7,815)	17,556
	(799,720)	(1,111,037)	(1,373,645)	(713,868)	(754,717)

The provision for China mainland income tax includes income tax based on the statutory tax rate of 25% of the taxable income of the Group as determined in accordance with the relevant PRC income tax rules and regulations.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of 25%. The major reconciliation items are as follows:

	Year ended December 31,			Period ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Profit before tax	3,502,073	4,603,647	5,680,038	2,867,229	3,206,742
Tax calculated at applicable statutory tax rate of 25%	(875,518)	(1,150,912)	(1,420,010)	(716,807)	(801,686)
Income not subject to tax[(a)]	87,858	102,658	145,135	66,356	76,834
Items not deductible for tax purposes[(b)]	(45,206)	(33,154)	(47,660)	(15,310)	(5,213)
Tax filing differences from previous years	33,146	(29,629)	(51,110)	(48,107)	(24,652)
Income tax expense	(799,720)	(1,111,037)	(1,373,645)	(713,868)	(754,717)

(a) The income not subject to tax mainly represents interest income arising from PRC treasury bonds, which is income tax free in accordance with the PRC tax regulations.

(b) The items that are not deductible for tax purposes mainly represent marketing and entertainment expenses in excess of the relevant deductible threshold under the relevant PRC tax regulations.

14 Earnings per share

(a) Basic earnings per share is calculated by dividing the profit for the year/period attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the year/period.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Profit attributable to shareholders of the Bank (in RMB thousands)	2,702,353	3,492,610	4,306,393	2,153,361	2,452,020
Weighted average number of ordinary shares in issue (in thousands)	8,174,819	8,174,819	8,174,819	8,174,819	8,174,819
Basic earnings per share (in RMB Yuan)	0.33	0.43	0.53	0.26	0.30

(b) Diluted earnings per share

For the year ended December 31, 2010, 2011, and 2012 as well as for the six months ended June 30, 2012 and 2013, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

15 Cash and balances with the central bank

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Cash	719,379	856,095	973,723	986,510
Balances with the central bank				
—Surplus reserves	10,460,494	21,351,721	15,764,170	13,962,947
—Statutory reserves	23,399,653	33,620,828	40,911,390	44,700,811
	34,579,526	55,828,644	57,649,283	59,650,268

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Cash	719,379	856,095	973,723	984,713
Balances with central banks				
—Surplus reserves	10,460,494	21,351,721	15,764,170	13,962,947
—Statutory reserves	23,399,653	33,620,828	40,911,390	44,700,811
	34,579,526	55,828,644	57,649,283	59,648,471

The Group is required to place statutory reserve funds with the People's Bank of China (the "PBOC"). The statutory reserve funds are calculated based on the qualified deposits from customers.

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Statutory reserve rate for RMB deposits	16.5%	19.0%	18.0%	18.0%
Statutory reserve rate for foreign currency deposits	5.0%	5.0%	5.0%	5.0%

Statutory reserve funds with PBOC are not available for use by the Group in its day-to-day operations.

16 Due from banks and other financial institutions

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Due from banks in PRC mainland	1,357,706	6,923,202	3,477,736	3,734,040
Due from banks in other countries and regions	144,649	159,009	361,932	439,303
	1,502,355	7,082,211	3,839,668	4,173,343
Less: allowances for impairment loss				
—Individually assessed	(6,003)	(6,003)	(6,003)	(6,003)
	1,496,352	7,076,208	3,833,665	4,167,340

17 Placement with and loans to banks and other financial institutions

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Placement with and loans to:				
—Banks in PRC mainland	—	—	—	124,232
—Other financial institutions in PRC mainland	48,081	48,081	38,417	33,681
Re-discounted Bills	1,237,574	3,581,172	2,813,377	768,365
	1,285,655	3,629,253	2,851,794	926,278
Less: impairment allowances				
—Individually assessed	(48,503)	(48,081)	(38,417)	(33,681)
	1,237,152	3,581,172	2,813,377	892,597

Movements of allowances for impairment losses on loans and advances to banks and other financial institutions are as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Balance at beginning of the year/(period)	(48,503)	(48,503)	(48,081)	(38,417)
Recoveries	—	422	9,664	—
Write-offs	—	—	—	4,736
Balance at end of the year/(period)	(48,503)	(48,081)	(38,417)	(33,681)

18 Financial assets held for trading

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Government bonds				
—Listed outside Hong Kong	281,693	960,323	662,827	799,847
Other debt securities				
—Listed outside Hong Kong	2,436,205	4,075,484	2,936,007	2,868,571
	2,717,898	5,035,807	3,598,834	3,668,418

As at December 31, 2010, 2011, and 2012 and June 30, 2013, no major restrictions were imposed on the realization of financial assets held for trading of the Group despite the fact that part of these assets were pledged to third parties (Note 40).

Debt securities traded on the China Domestic Interbank Bond Market are included in the category "Listed outside Hong Kong."

Financial assets held for trading analyzed by categories of issuer are as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Debt securities				
Issuers in PRC mainland				
—Governments	281,693	960,323	662,827	799,847
—Public sector and quasi-governments	132,952	138,655	59,972	109,288
—Other financial institutions	360,840	1,470,065	945,751	1,092,786
—Corporate	1,942,413	2,466,764	1,930,284	1,666,497
	2,717,898	5,035,807	3,598,834	3,668,418

19 Derivative financial instruments

The Group and Bank

	As at June 30, 2013		
		Fair value	
	Notional Amount	Assets	Liabilities
Derivative financial instruments held for trading			
—Foreign exchange forwards	320,823	210	(91)

20 Financial assets held under resale agreements

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Securities held under resale	2,314,164	5,317,376	—	—
Bills held under resale	8,228,720	—	38,198,123	92,280,894
	10,542,884	5,317,376	38,198,123	92,280,894

21 Loans and advances to customers

(a) Analysis of loans and advances to customers:

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Corporate loans and advances				
—Corporate loans	87,550,463	100,336,691	116,807,646	131,181,299
—Discounted Bills	4,554,797	6,460,288	11,907,252	10,030,847
Subtotal	92,105,260	106,796,979	128,714,898	141,212,146
Retail loans				
—Mortgage loans	17,783,001	22,836,915	25,201,772	30,101,183
—Revolving loans for individual business	3,657,308	4,560,461	6,423,598	7,825,633
—Others	3,488,449	3,218,654	3,454,498	3,918,469
Subtotal	24,928,758	30,616,030	35,079,868	41,845,285
Total	117,034,018	137,413,009	163,794,766	183,057,431
Less: Allowance for impairment losses				
—Collectively assessed	(2,721,086)	(3,242,207)	(3,598,626)	(3,783,185)
—Individually assessed	(254,489)	(247,919)	(254,665)	(408,185)
Total allowance for impairment losses	(2,975,575)	(3,490,126)	(3,853,291)	(4,191,370)
Loans and advances to customers, net	114,058,443	133,922,883	159,941,475	178,866,061

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Corporate loans and advances				
—Corporate loans	87,550,463	100,336,691	116,807,646	131,181,299
—Discounted Bills	4,554,797	6,460,288	11,907,252	10,030,847
Subtotal	92,105,260	106,796,979	128,714,898	141,212,146
Retail loans				
—Mortgage loans	17,783,001	22,836,915	25,201,772	30,101,183
—Revolving loans for individual business	3,657,308	4,560,461	6,423,598	7,825,633
—Others	3,488,449	3,218,654	3,454,498	3,918,269
Subtotal	24,928,758	30,616,030	35,079,868	41,845,085
Total	117,034,018	137,413,009	163,794,766	183,057,231
Less: Allowance for impairment losses				
—Collectively assessed	(2,721,086)	(3,242,207)	(3,598,626)	(3,783,185)
—Individually assessed	(254,489)	(247,919)	(254,665)	(408,185)
Total allowance for impairment losses	(2,975,575)	(3,490,126)	(3,853,291)	(4,191,370)
Loans and advances to customers, net	114,058,443	133,922,883	159,941,475	178,865,861

(b) Reconciliation of allowance for impairment losses on loans and advances to customers by collective and individual assessments:

The Group and Bank

	Year ended December 31,						Six months ended June 30,	
	2010		2011		2012		2013	
	Collectively assessed allowance	Individually assessed allowance	Collectively assessed allowance	Individually assessed allowance	Collectively assessed allowance	Individually assessed allowance	Collectively assessed allowance	Individually assessed allowance
Balance at beginning of the year/(period)	2,165,385	268,339	2,721,086	254,489	3,242,207	247,919	3,598,626	254,665
Impairment losses for the year/(period) (Note 12)	566,394	15,192	563,125	35,420	422,494	46,023	258,156	167,035
Unwind of discount on allowance	(2,203)	(16,172)	(4,514)	(11,271)	(7,265)	(8,581)	(3,801)	(13,515)
Loans written-off	(8,490)	(12,870)	(37,490)	(30,719)	(58,810)	(30,696)	(69,796)	—
Balance at end of the year/(period)	2,721,086	254,489	3,242,207	247,919	3,598,626	254,665	3,783,185	408,185

(c) Reconciliation of allowance for impairment losses on loans and advances to customers by customer type:

The Group and Bank

	Year ended December 31,						Six months ended June 30,	
	2010		2011		2012		2013	
	Corporate	Retail	Corporate	Retail	Corporate	Retail	Corporate	Retail
Balance at beginning of the year/(period)	2,216,211	217,513	2,659,562	316,013	3,047,495	442,631	3,363,107	490,184
Impairment losses for the year/(period) (Note 12)	467,210	114,376	463,947	134,598	411,696	56,821	343,826	81,365
Unwind of discount on allowance	(11,037)	(7,338)	(13,754)	(2,031)	(15,219)	(627)	(16,244)	(1,072)
Loans written-off	(12,822)	(8,538)	(62,260)	(5,949)	(80,865)	(8,641)	(63,629)	(6,167)
Balance at end of the year/(period)	2,659,562	316,013	3,047,495	442,631	3,363,107	490,184	3,627,060	564,310

(d) Analysis of loans and advances to customers by collective and individual allowance assessments:

The Group and Bank

		Identified impaired loans and advances			
As at December 31, 2010	**Loans and advances for which allowance is collectively assessed**	**for which allowance is collectively assessed**	**for which allowance is individually assessed**	**Subtotal**	**Total**
Total loans and advances					
—Corporate loans	91,513,089	164,612	427,559	592,171	92,105,260
—Retail loans	24,823,752	105,006	—	105,006	24,928,758
Allowance for impairment losses	(2,517,896)	(203,190)	(254,489)	(457,679)	(2,975,575)
Loans and advances to customers, net	113,818,945	66,428	173,070	239,498	114,058,443

The Group and Bank

		Identified impaired loans and advances			
As at December 31, 2011	**Loans and advances for which allowance is collectively assessed**	**for which allowance is collectively assessed**	**for which allowance is individually assessed**	**Subtotal**	**Total**
Total loans and advances					
—Corporate loans	106,226,316	128,103	442,560	570,663	106,796,979
—Retail loans	30,532,295	83,735	—	83,735	30,616,030
Allowance for impairment losses	(3,073,341)	(168,866)	(247,919)	(416,785)	(3,490,126)
Loans and advances to customers, net	133,685,270	42,972	194,641	237,613	133,922,883

The Group and Bank

		Identified impaired loans and advances			
As at December 31, 2012	**Loans and advances for which allowance is collectively assessed**	**for which allowance is collectively assessed**	**for which allowance is individually assessed**	**Subtotal**	**Total**
Total loans and advances					
—Corporate loans	127,877,046	161,504	676,348	837,852	128,714,898
—Retail loan	34,968,625	111,243	—	111,243	35,079,868
Allowance for impairment losses	(3,431,938)	(166,688)	(254,665)	(421,353)	(3,853,291)
Loans and advances to customers, net	159,413,733	106,059	421,683	527,742	159,941,475

The Group

As at June 30, 2013	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances: for which allowance is collectively assessed	Identified impaired loans and advances: for which allowance is individually assessed	Identified impaired loans and advances: Subtotal	Total
Total loans and advances					
—Corporate loans	140,171,660	63,140	977,346	1,040,486	141,212,146
—Retail loans	41,720,906	124,379	—	124,379	41,845,285
Allowance for impairment losses	(3,666,093)	(117,092)	(408,185)	(525,277)	(4,191,370)
Loans and advances to customers, net	178,226,473	70,427	569,161	639,588	178,866,061

The Bank

As at June 30, 2013	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances: for which allowance is collectively assessed	Identified impaired loans and advances: for which allowance is individually assessed	Identified impaired loans and advances: Subtotal	Total
Total loans and advances					
—Corporate loans	140,171,660	63,140	977,346	1,040,486	141,212,146
—Retail loans	41,720,706	124,379	—	124,379	41,845,085
Allowance for impairment losses	(3,666,093)	(117,092)	(408,185)	(525,277)	(4,191,370)
Loans and advances to customers, net	178,226,273	70,427	569,161	639,588	178,865,861

22 Investment securities

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Loans and receivables				
Debt securities				
—Unlisted	433,546	301,886	218,496	180,749
Wealth management products issued by other financial institutions				
—Unlisted	6,454,912	3,513,230	1,595,693	8,252,650
Subtotal	6,888,458	3,815,116	1,814,189	8,433,399
Available-for-sale financial assets				
Debt securities				
—Listed outside Hong Kong	20,725,156	16,056,010	20,475,612	25,990,403
Asset management schemes by securities firms or trust companies				
—Unlisted	125,930	2,281,910	5,088,610	5,115,120
Equity securities				
—Unlisted	14,544	18,983	16,383	16,383
Subtotal	20,865,630	18,356,903	25,580,605	31,121,906
Held-to-maturity investments				
Debt securities				
—Listed outside Hong Kong	12,919,456	20,344,495	26,020,303	25,669,340
—Unlisted	271,222	260,053	42,423	42,769
Subtotal	13,190,678	20,604,548	26,062,726	25,712,109
Total	40,944,766	42,776,567	53,457,520	65,267,414
Including: fair value of listed held-to-maturity securities	12,754,887	20,355,797	25,971,015	25,620,573

Debt securities traded on the China Domestic Interbank Bond Market are included in the category "Listed outside Hong Kong."

Investment securities analyzed by issuer as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Loans and receivables				
Issuers in PRC mainland				
—Governments	433,546	301,886	218,496	180,749
—Wealth management products issued by other financial institutions	6,454,912	3,513,230	1,595,693	8,252,650
	6,888,458	3,815,116	1,814,189	8,433,399
Available-for-sale financial assets				
Issuers in PRC mainland				
—Governments	4,461,792	4,010,859	5,529,672	7,541,638
—Public sector and quasi-governments	3,606,432	1,662,501	40,565	—
—Financial institutions	9,393,694	6,091,088	9,578,778	13,034,110
—Corporate	3,263,238	4,291,562	5,326,597	5,414,655
—Asset management schemes by securities firms or trust company(1)	125,930	2,281,910	5,088,610	5,115,120
—Equity securities	14,544	18,983	16,383	16,383
	20,865,630	18,356,903	25,580,605	31,121,906
Held-to-maturity investments				
Issuers in PRC mainland				
—Governments	5,839,272	8,803,967	9,854,663	10,296,104
—Public sector and quasi-governments	397,317	4,487,531	4,495,682	1,839,551
—Other financial institutions	6,663,698	6,651,329	9,044,210	10,627,070
—Corporate	290,391	661,721	2,668,171	2,949,384
	13,190,678	20,604,548	26,062,726	25,712,109

(1) The Group entrust the funds from issuing the principal-protected wealth management products to security firms and trust companies to invest in bonds issued by governments, financial institutions and corporates, and other fixed-income financial instruments.

23 Investment in subsidiaries

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Investment cost	—	—	—	32,800

As at June 30, 2013, background of the subsidiary is as follows:

Corporate Name	Incorporated Date	Place of incorporation	Registered capital	Proportion of ownership	Proportion of voting power	Business sector
Jinzhai Huiyin Rural Bank Co., Ltd	25/06/2013	PRC	80,000	41%	41%	Banking

The Bank signed contracts with 3 shareholders who hold in total 29% of ownership and voting power of this company. These 3 shareholders will vote consistently with the Bank in deciding the financial and operating policies. Hence, the Bank has control of this company, and this company is in scope of consolidation.

24 Investment in associates

The Group and Bank

	Year ended December 31,			Period ended June 30,
	2010	2011	2012	2013
Balance at beginning of the year/(period)	100,000	153,440	185,190	220,246
Additions	40,000	—	—	66,460
Share of results, net of tax	13,440	31,750	35,056	24,024
Balance at end of the year/(period)	153,440	185,190	220,246	310,730

Chery Motor Finance Service Co., Ltd was established in 2009, with registered capital of RMB500 million, among which the Group accounted for RMB100 million or 20%. With the approval of CBRC Anhui Bureau on December 24, 2012, the registered capital of Chery Motor Finance Service Co., Ltd was authorized to increase to RMB1 billion. As of June 30, 2013, the Group's contribution to the associate has been increased to RMB200 million or 20% with an additional investment of RMB66.46 million.

Wuwei Huiyin Rural Bank Co., Ltd was established in 2010, with registered capital of RMB100 million, among which the Group accounted for RMB40 million or 40%. Wuwei Huiyin Rural Bank Co., Ltd officially opened with the approval of CBRC on July 9, 2010.

Investments in associates of the Group comprise of ordinary shares of unlisted companies as follows:

Associates	Place of incorporation	Assets	Liabilities	Revenue	Net profit	Percentage of share
As at June 30, 2013						
Chery Motor Finance Service Co., Ltd	PRC	6,533,761	5,310,531	212,948	97,995	20%
Wuwei Huiyin Rural Bank Co., Ltd	PRC	1,683,999	1,518,791	56,358	19,583	40%
As at December 31, 2012						
Chery Motor Finance Service Co., Ltd	PRC	5,087,228	4,294,293	303,283	106,571	20%
Wuwei Huiyin Rural Bank Co., Ltd	PRC	1,790,334	1,644,709	74,352	30,804	40%
As at December 31, 2011						
Chery Motor Finance Service Co., Ltd	PRC	3,894,468	3,208,104	250,580	120,236	20%
Wuwei Huiyin Rural Bank Co., Ltd	PRC	979,664	864,843	42,495	14,285	40%
As at December 31, 2010						
Chery Motor Finance Service Co., Ltd	PRC	2,350,088	1,783,960	125,772	57,816	20%
Wuwei Huiyin Rural Bank Co., Ltd	PRC	403,864	303,328	15,971	536	40%

25 Property, plant and equipment

The Group and Bank

	Buildings	Motor vehicles	Electronic and other equipments	Construction in progress	Total
Cost					
As at January 1, 2010	1,060,574	57,374	412,321	141,532	1,671,801
Additions	27,031	23,705	41,703	56,503	148,942
Transfer in/(out)	63,980	—	474	(64,454)	—
Disposals	(32,544)	(5,306)	(17,807)	—	(55,657)
Other transfer out	—	—	—	(43,346)	(43,346)
As at December 31, 2010	1,119,041	75,773	436,691	90,235	1,721,740
Accumulated depreciation					
As at January 1, 2010	(239,817)	(38,985)	(186,622)	—	(465,424)
Depreciation charge	(62,614)	(28,894)	(40,602)	—	(132,110)
Disposals	13,391	4,005	8,868	—	26,264
As at December 31, 2010	(289,040)	(63,874)	(218,356)	—	(571,270)
Net book value					
As at December 31, 2010	830,001	11,899	218,335	90,235	1,150,470
Cost					
As at January 1, 2011	1,119,041	75,773	436,691	90,235	1,721,740
Additions	3,174	12,610	132,317	73,725	221,826
Transfer in/(out)	81,430	—	7,869	(89,299)	—
Disposals	(44,766)	(36,522)	(1,477)	—	(82,765)
Other transfers out	—	—	—	(21,260)	(21,260)
As at December 31, 2011	1,158,879	51,861	575,400	53,401	1,839,541
Accumulated depreciation					
As at January 1, 2011	(289,040)	(63,874)	(218,356)	—	(571,270)
Depreciation charge	(46,719)	(4,018)	(76,068)	—	(126,805)
Disposals	7,303	36,352	968	—	44,623
As at December 31, 2011	(328,456)	(31,540)	(293,456)	—	(653,452)
Net book value					
As at December 31, 2011	830,423	20,321	281,944	53,401	1,186,089

The Group and Bank

	Buildings	Motor vehicles	Electronic and other equipments	Construction in progress	Total
Cost					
As at January 1, 2012	1,158,879	51,861	575,400	53,401	1,839,541
Additions	17,569	8,136	144,861	209,185	379,751
Transfers in/(out)	16,582	—	1,729	(18,311)	—
Disposals	(3,055)	(2,034)	(17,297)	—	(22,386)
Other transfers out	—	—	—	(18,659)	(18,659)
As at December 31, 2012	1,189,975	57,963	704,693	225,616	2,178,247
Accumulated depreciation					
As at January 1, 2012	(328,456)	(31,540)	(293,456)	—	(653,452)
Depreciation charge	(49,208)	(6,476)	(84,049)	—	(139,733)
Disposals	782	1,960	16,609	—	19,351
As at December 31, 2012	(376,882)	(36,056)	(360,896)	—	(773,834)
Net book value					
As at December 31, 2012	813,093	21,907	343,797	225,616	1,404,413
Cost					
As at January 1, 2013	1,189,975	57,963	704,693	225,616	2,178,247
Additions	9,250	6,010	29,783	36,439	81,482
Transfers in/(out)	474	—	845	(1,319)	—
Disposals	(11,940)	(541)	(5,243)	—	(17,724)
Other transfers out	—	—	—	(4,522)	(4,522)
As at June 30, 2013	1,187,759	63,432	730,078	256,214	2,237,483
Accumulated depreciation					
As at January 1, 2013	(376,882)	(36,056)	(360,896)	—	(773,834)
Depreciation charge	(24,645)	(4,868)	(48,418)	—	(77,931)
Disposals	8,252	524	4,186	—	12,962
As at June 30, 2013	(393,275)	(40,400)	(405,128)	—	(838,803)
Net book value					
As at June 30, 2013	794,484	23,032	324,950	256,214	1,398,680

As of June 30, 2013, net gains from disposals of property and equipment of the Group were RMB4,826,000 (gains for the year ended December 31, 2010, 2011, and 2012 were RMB7,514,000, RMB66,383,000, and RMB26,143,000, respectively).

As at June 30, 2013, buildings with net book value of RMB3,482,000 (cost: RMB7,437,000) were still pending for property ownership certificates and land certificates while buildings with a carrying value of RMB31,998,000 (cost: RMB76,802,000) were granted property ownership certificates but still pending for land certificates. The Group is still in the progress of application for the outstanding certificates for the above properties. Nevertheless, this will neither affect the Group's routine operation in relation with the buildings mentioned above, nor incur any material adverse impact on the Group's financial position.

All lands and buildings of the Group are located outside Hong Kong.

The net book value of lands and buildings is analyzed based on the remaining lease terms as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Held in PRC mainland				
on long-term lease (over 50 years)	31,475	29,850	30,570	30,838
on medium-term lease (10-50 years)	798,526	800,573	782,523	763,646
	830,001	830,423	813,093	794,484

26 Other assets

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Interest receivable (a)	796,087	1,043,979	1,357,804	1,483,531
Funds to be settled	945	496	608,103	350,150
Other receivables (b)	145,632	134,822	127,442	233,890
Less: impairment allowance	(131,511)	(81,568)	(76,039)	(76,039)
Land use rights (c, d)	35,837	9,195	8,933	8,802
Long-term prepaid expenses	92,453	119,165	153,463	148,067
Intangible assets (e)	65,826	79,749	73,045	67,176
Foreclosed assets	5,192	1,007	985	1,081
Trade finance settlement receivables, net	401,502	—	—	—
Others	1,580	13,305	2,527	6,983
	1,413,543	1,320,150	2,256,263	2,223,641

(a) Interest receivable

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Placements with and loans and advances to banks, other financial institutions, and the central bank	13,853	31,478	27,570	38,858
Investment securities	570,345	716,172	965,949	1,041,302
Loans and advances to customers	211,889	296,329	364,285	403,371
	796,087	1,043,979	1,357,804	1,483,531

(b) Other receivable

The Group and Bank's other receivable is analyzed by age as follows:

	Within 1 year	1-3 years	Over 3 years	Total
As at December 31, 2010				
Other receivable	22,070	2,213	121,349	145,632
Bad debt allowance	(8,432)	(1,730)	(121,349)	(131,511)
Net	13,638	483	—	14,121

	Within 1 year	1-3 years	Over 3 years	Total
As at December 31, 2011				
Other receivable	61,772	6,810	66,240	134,822
Bad debt allowance	(11,324)	(4,004)	(66,240)	(81,568)
Net	50,448	2,806	—	53,254

	Within 1 year	1-3 years	Over 3 years	Total
As at December 31, 2012				
Other receivable	62,177	18,388	46,877	127,442
Bad debt allowance	(16,791)	(12,371)	(46,877)	(76,039)
Net	45,386	6,017	—	51,403

	Within 1 year	1-3 years	Over 3 years	Total
As at June 30, 2013				
Other receivable	157,220	40,169	36,501	233,890
Bad debt allowance	(16,344)	(23,194)	(36,501)	(76,039)
Net	140,876	16,975	—	157,851

(c) The net book value of land use rights is analyzed based on the remaining terms of the leases as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Held outside Hong Kong on medium-term lease (10-50 years)	35,837	9,195	8,933	8,802
	35,837	9,195	8,933	8,802

(d) Land use rights

The Group and Bank

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Cost				
Balance at beginning of the year/(period)	53,371	37,602	10,429	10,429
Additions	231	—	—	—
Disposals	(16,000)	(27,173)	—	—
Balance at end of the year/(period)	37,602	10,429	10,429	10,429
Accumulated amortization				
Balance at beginning of the year/(period)	(1,115)	(1,765)	(1,234)	(1,496)
Additions	(2,064)	(1,061)	(262)	(131)
Disposals	1,414	1,592	—	—
Balance at end of the year/(period)	(1,765)	(1,234)	(1,496)	(1,627)
Net book value				
At end of the year/(period)	35,837	9,195	8,933	8,802

(e) Intangible assets

Intangible assets of the Group mainly refer to computer software.

The Group and Bank

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Cost				
Balance at beginning of the year/(period)	45,592	80,015	110,093	125,183
Additions	34,423	30,358	15,090	6,451
Disposals	—	(280)	—	—
Balance at end of the year/(period)	80,015	110,093	125,183	131,634
Accumulated amortization				
Balance at beginning of the year/(period)	(3,416)	(14,189)	(30,344)	(52,138)
Additions	(10,773)	(16,236)	(21,794)	(12,320)
Disposals	—	81	—	—
Balance at end of the year/(period)	(14,189)	(30,344)	(52,138)	(64,458)
Net book value				
At end of the year/(period)	65,826	79,749	73,045	67,176

27 Impairment allowance

The Group and Bank

	As at January 1, 2010	Additions	Deductions		As at December 31, 2010
			Reversal	Write-off	
Loans and advances	(2,433,724)	(581,586)	18,375	21,360	(2,975,575)
Due from banks and other financial institutions	(6,003)	—	—	—	(6,003)
Placement with and loan to banks and other financial institutions	(48,503)	—	—	—	(48,503)
Foreclosed assets	(38,641)	—	—	1,632	(37,009)
Financial assets available-for-sale	(6,563)	—	—	—	(6,563)
Other receivables	(166,989)	—	—	35,478	(131,511)
	(2,700,423)	(581,586)	18,375	58,470	(3,205,164)

The Group and Bank

	As at January 1, 2011	Additions	Deductions		As at December 31, 2011
			Reversal	Write-off	
Loans and advances	(2,975,575)	(598,545)	15,785	68,209	(3,490,126)
Due from banks and other financial institutions	(6,003)	—	—	—	(6,003)
Placement with and loan to banks and other financial institutions	(48,503)	—	422	—	(48,081)
Foreclosed assets	(37,009)	—	17,509	17,213	(2,287)
Financial assets available-for-sale	(6,563)	—	—	1,624	(4,939)
Other receivables	(131,511)	—	—	49,943	(81,568)
	(3,205,164)	(598,545)	33,716	136,989	(3,633,004)

The Group and Bank

	As at January 1, 2012	Additions	Deductions		As at December 31, 2012
			Reversal	Write-off	
Loans and advances	(3,490,126)	(468,517)	15,846	89,506	(3,853,291)
Due from banks and other financial institutions	(6,003)	—	—	—	(6,003)
Placement with and loan to banks and other financial institutions	(48,081)	—	9,664	—	(38,417)
Foreclosed assets	(2,287)	—	230	515	(1,542)
Financial assets available-for-sale	(4,939)	(276)	—	3,138	(2,077)
Other receivables	(81,568)	—	—	5,529	(76,039)
	(3,633,004)	(468,793)	25,740	98,688	(3,977,369)

The Group and Bank

	As at January 1, 2013	Additions	Deductions		As at June 30, 2013
			Reversal	Write-off	
Loans and advances	(3,853,291)	(425,191)	17,316	69,796	(4,191,370)
Due from banks and other financial institutions	(6,003)	—	—	—	(6,003)
Placement with and loan to banks and other financial institutions	(38,417)	—	—	4,736	(33,681)
Foreclosed assets	(1,542)	—	—	—	(1,542)
Financial assets available-for-sale	(2,077)	—	—	1,000	(1,077)
Other receivables	(76,039)	—	—	—	(76,039)
	(3,977,369)	(425,191)	17,316	75,532	(4,309,712)

28 Deposits from banks and other financial institutions

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Banks in PRC mainland	9,375,238	8,482,066	5,135,887	18,409,799
Other financial institutions in PRC mainland	447,204	771,788	666,017	1,138,702
Banks outside PRC mainland	—	69,632	163,346	151,837
	9,822,442	9,323,486	5,965,250	19,700,338

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Banks in PRC mainland	9,375,238	8,482,066	5,135,887	18,498,901
Other financial institutions in PRC mainland	447,204	771,788	666,017	1,138,702
Banks outside PRC mainland	—	69,632	163,346	151,837
	9,822,442	9,323,486	5,965,250	19,789,440

29 Placements from banks and other financial institutions

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Banks in PRC mainland	1,263,140	3,534,522	898,200	902,915

30 Financial assets sold under repurchase agreements

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Securities sold under repurchase agreements	14,429,700	15,877,000	15,525,200	20,159,314
Bills sold under repurchase agreements	6,368,269	307,796	32,358,266	80,510,791
	20,797,969	16,184,796	47,883,466	100,670,105

31 Deposits from customers

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Corporate demand deposits	83,747,305	97,479,656	107,041,690	101,649,160
Corporate time deposits	27,134,372	38,982,776	52,942,799	60,662,491
Retail demand deposits	15,998,930	19,077,590	21,959,702	24,600,734
Retail time deposits	16,700,148	22,815,234	30,758,789	35,205,340
Other deposits	16,001,251	25,224,448	26,840,143	30,019,582
	159,582,006	203,579,704	239,543,123	252,137,307
Including:				
Pledged deposits held as collateral	15,714,121	24,851,681	26,578,984	29,312,893

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Corporate demand deposits	83,747,305	97,479,656	107,041,690	101,649,160
Corporate time deposits	27,134,372	38,982,776	52,942,799	60,662,491
Retail demand deposits	15,998,930	19,077,590	21,959,702	24,593,100
Retail time deposits	16,700,148	22,815,234	30,758,789	35,201,887
Other deposits	16,001,251	25,224,448	26,840,143	30,019,582
	159,582,006	203,579,704	239,543,123	252,126,220
Including:				
Pledged deposits held as collateral	15,714,121	24,851,681	26,578,984	29,312,893

32 Tax payable

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Corporate income tax	364,600	187,650	191,815	36,108
Business tax and surcharges	147,332	201,399	277,911	203,454
Others	20,841	15,828	34,729	27,283
	532,773	404,877	504,455	266,845

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Corporate income tax	364,600	187,650	191,815	36,105
Business tax and surcharges	147,332	201,399	277,911	203,454
Others	20,841	15,828	34,729	27,283
	532,773	404,877	504,455	266,842

33 Other liabilities

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Interest payable (a)	632,650	1,277,746	1,937,535	2,255,207
Salary and welfare payable (b)	1,076,156	1,177,612	1,155,569	1,054,581
Funds to be settled	654,204	205,420	1,643,459	1,118,687
Dividends payable	67,157	72,126	65,621	144,422
Suspense accounts	33,966	31,813	32,095	33,354
Project funds payable	26,008	19,096	24,233	20,755
Others	130,384	95,371	98,599	110,971
	2,620,525	2,879,184	4,957,111	4,737,977

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Interest payable (a)	632,650	1,277,746	1,937,535	2,255,206
Salary and welfare payable (b)	1,076,156	1,177,612	1,155,569	1,054,581
Funds to be settled	654,204	205,420	1,643,459	1,118,687
Dividends payable	67,157	72,126	65,621	144,422
Suspense accounts	33,966	31,813	32,095	33,354
Project funds payable	26,008	19,096	24,233	20,755
Others	130,384	95,371	98,599	110,971
	2,620,525	2,879,184	4,957,111	4,737,976

(a) Interest payable

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Deposits and placement from banks and other financial institutions	38,654	66,222	32,047	52,666
Deposits from customers	593,996	1,014,845	1,708,809	2,077,946
Debt securities in issue	—	196,679	196,679	124,595
	632,650	1,277,746	1,937,535	2,255,207

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Deposits and placement from banks and other financial institutions	38,654	66,222	32,047	52,666
Deposits from customers	593,996	1,014,845	1,708,809	2,077,945
Debt securities in issue	—	196,679	196,679	124,595
	632,650	1,277,746	1,937,535	2,255,206

(b) Salary and welfare payable

The Group and Bank

	As at January 1, 2010	Accrual	Payment	As at December 31, 2010
Salary, bonus, subsidy and allowances	684,378	746,702	(471,322)	959,758
Welfare	24,332	77,949	(84,293)	17,988
Social insurance	86,686	98,963	(103,857)	81,792
Labor union fee and staff education fee	19,844	22,648	(25,874)	16,618
	815,240	946,262	(685,346)	1,076,156

The Group and Bank

	As at January 1, 2011	Accrual	Payment	As at December 31, 2011
Salary, bonus, subsidy and allowances	959,758	836,209	(637,999)	1,157,968
Welfare	17,988	—	(17,988)	—
Social insurance	81,792	135,458	(205,222)	12,028
Labor union fee and staff education fee	16,618	12,197	(21,199)	7,616
	1,076,156	983,864	(882,408)	1,177,612

The Group and Bank

	As at January 1, 2012	Accrual	Payment	As at December 31, 2012
Salary, bonus, subsidy and allowances	1,157,968	1,031,793	(1,054,536)	1,135,225
Social insurance	12,028	162,720	(162,028)	12,720
Labor union fee and staff education fee	7,616	17,749	(17,741)	7,624
	1,177,612	1,212,262	(1,234,305)	1,155,569

The Group and Bank

	As at January 1, 2013	Accrual	Payment	As at June 30, 2013
Salary, bonus, subsidy and allowances	1,135,225	482,606	(582,695)	1,035,136
Social insurance	12,720	103,023	(105,514)	10,229
Labor union fee and staff education fee	7,624	7,675	(6,083)	9,216
	1,155,569	593,304	(694,292)	1,054,581

34 Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities related to income taxes levied by the same taxation authority. The movement in the deferred income tax account is as follows:

The Group and Bank

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Balance at beginning of the year/(period)	412,054	681,674	751,470	851,158
Charged to income statement	157,349	86,830	69,183	17,556
Credited/(charged) to shareholders' equity	112,271	(17,034)	30,505	(7,870)
Balance at end of the year/(period)	681,674	751,470	851,158	860,844

Items included in deferred income tax assets and liabilities are as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Deferred income tax assets				
Impairment allowance for assets	457,983	518,747	587,206	632,740
Salary and welfare payable	176,364	211,235	218,342	191,368
Fair value changes of available-for-sale financial assets	33,367	11,390	41,895	34,025
Fair value changes of financial assets held for trading	11,799	3,174	—	—
Others	10,464	6,924	5,251	8,663
	689,977	751,470	852,694	866,796
Deferred income tax liabilities				
Fair value changes of financial assets held-for-trading	—	—	(1,536)	(5,922)
Fair value changes of derivative financial instruments	—	—	—	(30)
Revaluation of available-for-sale financial assets reclassified as held-to-maturity investment	(4,943)	—	—	—
Others	(3,360)	—	—	—
	(8,303)	—	(1,536)	(5,952)
Deferred income tax assets, net	681,674	751,470	851,158	860,844

Deferred taxes taken to the statement of comprehensive income comprise the following temporary differences:

The Group and Bank

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Impairment allowance for assets	100,339	60,764	68,459	45,534
Salary and welfare payable	46,631	34,871	7,107	(26,974)
Fair value changes of financial assets held for trading	11,799	(8,625)	(4,710)	(4,386)
Fair value changes of derivative financial instruments	—	—	—	(30)
Others	(1,420)	(180)	(1,673)	3,412
	157,349	86,830	69,183	17,556

35 Debt securities in issue

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Subordinated debts				
Subordinated debts with fixed rate-2026[(a)]	—	3,991,461	3,991,828	3,992,018
Financial bonds				
Financial bonds for SMEs-2016[(b)]	—	—	—	2,796,274
Financial bonds for SMEs-2018[(c)]	—	—	—	2,196,951
	—	3,991,461	3,991,828	8,985,243

(a) The Group issued RMB 4 billion of subordinated debts on April 2, 2011 in China's inter-bank bond market, with a maturity of 15 years and a fixed coupon rate of 6.55%, paid annually. The Group has an option to redeem these debts at face value on April 2, 2021.

Claims on subordinated debts are posterior to other liabilities but prior to the Group's share capital. According to CBRC's requirement, these bonds are qualified for inclusion as supplementary capital in the calculation of capital adequacy ratio in 2010, 2011 and 2012. From January 1, 2013, they are qualified for inclusion as Tier 2 capital in the calculation of capital adequacy ratio in accordance with "The Trial Measures for Capital Management of Commercial Banks" Promulgated by the CBRC.

(b) The Group issued RMB 2.8 billion of financial bonds for SMEs on March 19, 2013 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 4.30%, paid annually.

(c) The Group issued RMB 2.2 billion of financial bonds for SMEs on March 19, 2013 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 4.50%, paid annually.

As of June 30, 2013, there are no defaults on principal and interest or other breaches to the agreements with respect to these debt securities.

36 Share capital and capital reserve

The Group's share capital is comprised of fully paid common shares in issue, with par value of RMB1 per share. The number of shares is as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Number of authorized shares fully paid in issue (in thousands)	8,174,819	8,174,819	8,174,819	8,174,819

Generally speaking, transactions of the following natures are recorded in the capital reserve:

(I) share premium arising from the issuance of shares at prices in excess of their par value;

(II) donations received from shareholders; and

(III) any other items required by the PRC regulations.

Capital surplus can be utilized for the issuance of stock dividend or for increasing paid-up capital as approved by the shareholders.

As at December 31, 2010, 2011, and 2012 as well as at June 30, 2013, the Group's capital surplus is listed as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Share premium	1,806,700	1,806,700	1,806,700	1,806,700

37 Other reserves

The Group and Bank

	Surplus reserve(a)	General reserve(b)	Reserve for fair value changes of available-for-sale financial assets	Total
As at January 1, 2010	418,668	1,077,380	251,539	1,747,587
Changes in fair value taken to other comprehensive income	—	—	(336,814)	(336,814)
Appropriation to surplus reserve	270,235	—	—	270,235
As at December 31, 2010	688,903	1,077,380	(85,275)	1,681,008
Changes in fair value taken to other comprehensive income	—	—	51,105	51,105
Appropriation to surplus reserve	619,496	—	—	619,496
Appropriation to general reserve	—	200,000	—	200,000
As at December 31, 2011	1,308,399	1,277,380	(34,170)	2,551,609
Changes in fair value taken to other comprehensive income	—	—	(91,513)	(91,513)
Appropriation to surplus reserve	779,900	—	—	779,900
Appropriation to general reserve	—	195,000	—	195,000
As at December 31, 2012	2,088,299	1,472,380	(125,683)	3,434,996
Changes in fair value taken to other comprehensive income	—	—	23,609	23,609
Appropriation to surplus reserve	430,639	—	—	430,639
Appropriation to general reserve	—	1,590,402	—	1,590,402
As at June 30, 2013	2,518,938	3,062,782	(102,074)	5,479,646

(a) Surplus reserve

Pursuant to the "Company Law of the PRC" and the Group's Articles of Association, the Group is required to appropriate 10% of its net profit in statutory financial statements to a non-distributable statutory surplus reserves. Appropriation to the statutory surplus reserves may cease when the balance of such reserves has reached 50% of the share capital. The Group appropriates for the discretionary surplus reserve after statutory surplus has been made.

As at December 31, 2010, 2011, and 2012 as well as at June 30, 2013, the Group's statutory surplus reserve balances were RMB688,903,000, RMB1,038,164,000, RMB1,468,803,000 and RMB1,468,803,000 respectively. The others were discretionary surplus reserve.

(b) General reserve

In accordance with Cai Jin [2005] No.49 "Administrative Procedures on Provision for Non-performing Debts of Financial Enterprises"(the "Procedures") and "Notice on the Relevant Issues Concerning the Provision for Non-performing Debts"(Cai Jin [2005] No. 90) issued by Ministry of Finance on May 17 and September 5, 2005 respectively, financial enterprises are required to transfer a certain amount of its net income to the statutory general reserve, which is considered as part of shareholders' equity, through its profit appropriation to prepare for potential operation risks and to strengthen its capacity to withstand risks. The portion of general reserve is determined based on the degree of overall unidentified loss exposure, normally no lower than 1% of the ending balance of risk assets.

Pursuant to Cai Jin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions"(the "Requirements") issued by Ministry of Finance on March 20, 2012, the general reserve should not be less than 1.5% of the aggregate amount of risk assets, and the minimum threshold can be accumulated over a period of no more than five years. As the Requirements were brought into force from July 1, 2012, the Procedures were annulled.

38 Dividends

The Group and Bank

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Dividends declared for the year/(period)	817,482	817,482	817,482	—
Dividends per ordinary share (in RMB Yuan)	0.10	0.10	0.10	—
Dividends paid during the year/(period)	926,622	812,513	823,987	738,681

Under the "Company Law of the PRC" and the Group's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

(i) Making up cumulative losses from prior years, if any;

(ii) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank;

(iii) Allocations to the discretionary reserve with approval from the General Meetings of Shareholders. These funds form part of the shareholders' equity.

In accordance with the relevant regulations, after certain event, the net profit after tax of the Group for the purpose of profit distribution is deemed to be the lesser of (i) the retained profits determined in accordance with PRC Generally Accepted Accounting Principles and (ii) the retained profit determined in accordance with IFRS.

39 Financial guarantees and credit commitments, other commitments and contingent liabilities

Financial guarantees and credit commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit commitments that the Group has committed to extend to its customers:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Bank bill acceptance	27,467,421	38,087,308	46,602,041	50,744,290
Letter of credit issued	1,682,903	3,053,143	2,023,348	3,335,708
Letter of guarantee issued	1,656,332	1,752,715	1,674,944	1,774,252
Loan commitment	52,000	298,000	466,540	405,400
Unused credit card lines	515,590	543,609	1,708,977	2,278,188
	31,374,246	43,734,775	52,475,850	58,537,838

Capital commitments

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Contracted but not provided for	18,313	11,674	54,024	28,196
Authorized but not contracted for	7,695	2,737	32,068	3,537
	26,008	14,411	86,092	31,733

Operating lease commitments

Where the Group is the lessee, the future minimum lease payments on buildings under non-cancellable operating leases are as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Within 1 year	34,534	67,833	109,798	115,901
Between 1 year to 5 years	91,298	187,133	320,753	374,325
Later than 5 years	47,776	33,157	65,737	240,308
	173,608	288,123	496,288	730,534

Treasury bond redemption commitments

The Group is entrusted by the MOF to underwrite certain Treasury bonds. The investors of these Treasury bonds have a right to redeem the bonds at any time prior to maturity and the Group is committed to redeem these treasury bonds. The redemption price is the principal value of the bonds plus unpaid interest in accordance with the early redemption arrangement.

As at December 31, 2010, 2011, and 2012 as well as at June 30, 2013, the outstanding principal value of the treasury bonds sold by the Group were RMB1.986 billion, RMB1.622 billion, RMB1.226 billion and RMB 1.4 billion.

Legal proceedings

As at December 31, 2010, 2011 and 2012, as well as at June 30, 2013, there were no significant legal proceedings outstanding against the Group.

40 Pledged assets

Assets are pledged as collateral under repurchase agreements and for treasury deposits with other banks and Ministry of Finance.

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Financial assets held for trading	129,918	668,947	410,633	210,252
Available-for-sale financial assets	10,888,191	7,578,239	4,511,808	8,184,041
Held-to-maturity investments	5,902,436	14,278,498	15,154,733	11,857,488
Securities held under resale agreements	—	1,004,344	—	—
Bills held under resale agreements	6,287,399	—	31,182,881	78,604,103
Discounted bills	—	—	1,141,551	1,882,812
Total	23,207,944	23,530,028	52,401,606	100,738,696

41 Credit risk weighted amount of financial guarantees and credit commitments

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Financial guarantees and credit commitments	11,131,362	17,830,571	22,413,330	23,657,051

The credit risk weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and credit related commitments.

42 Other comprehensive income

The Group and Bank

	Year ended December 31, 2010		
	Before-tax amount	Tax charge/(credit)	Net-of-tax amount
Other comprehensive income			
Fair value changes in available-for-sale financial assets	(445,279)	111,320	(333,959)
Amortization of revaluation of investments reclassified as held-to-maturity	(3,806)	951	(2,855)
Other comprehensive income for the year	(449,085)	112,271	(336,814)

The Group and Bank

	Year ended December 31, 2011		
	Before-tax amount	Tax charge/(credit)	Net-of-tax amount
Other comprehensive income			
Fair value changes in available-for-sale financial assets	87,910	(21,977)	65,933
Amortization of revaluation of investments reclassified as held-to-maturity	(19,771)	4,943	(14,828)
Other comprehensive income for the year	68,139	(17,034)	51,105

The Group and Bank

	Year ended December 31, 2012		
	Before-tax amount	Tax charge/(credit)	Net-of-tax amount
Other comprehensive income			
Fair value changes in available-for-sale financial assets	(122,018)	30,505	(91,513)
Other comprehensive income for the year	(122,018)	30,505	(91,513)

The Group and Bank

	Six months ended June 30, 2012 (unaudited)		
	Before-tax amount	Tax charge/(credit)	Net-of-tax amount
Other comprehensive income			
Fair value changes in available-for-sale financial assets	230,293	(57,573)	172,720
Other comprehensive income for the period	230,293	(57,573)	172,720

The Group and Bank

	Six months ended June 30, 2013		
	Before-tax amount	Tax charge/(credit)	Net-of-tax amount
Other comprehensive income			
Fair value changes in available-for-sale financial assets	31,479	(7,870)	23,609
Other comprehensive income for the period	31,479	(7,870)	23,609

43 Notes to the statement of cash flows

For the purpose of the statement of cash flow, cash and cash equivalents comprises the following balances with an original maturity of less than three months and are used for the purpose of meeting short-term cash commitments:

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Cash	719,379	856,095	973,723	986,510
Surplus reserve with central bank	10,460,494	21,351,721	15,764,170	13,962,947
Due from banks and other financial institutions	1,496,352	6,625,991	3,163,390	2,935,131
	12,676,225	28,833,807	19,901,283	17,884,588

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Cash	719,379	856,095	973,723	984,713
Surplus reserve with central bank	10,460,494	21,351,721	15,764,170	13,962,947
Due from banks and other financial institutions	1,496,352	6,625,991	3,163,390	2,935,131
	12,676,225	28,833,807	19,901,283	17,882,791

44 Related party transactions

(1) Related parties

The table below listed major related legal entities of the Group:

Major related legal entities with the Group		Share percentage
Anhui Province Energy Group Co.	Major shareholders	9.99%
Anhui Credit Guaranty Group Co.	Major shareholders	9.81%
Anhui Guoyuan Holding (Group) Co.	Major shareholders	8.42%
Anhui Expressway Holding Group Co.	Major shareholders	6.12%
Zhongjing Sihai Industrial Co.	Major shareholders	5.44%
Chery Motor Finance Service Co., Ltd	Associates	
Wuwei Huiyin Rural Bank Co., Ltd	Associates	

(2) Related party transactions and balances

Related-party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

a) Transactions with major shareholders

As at balance sheet dates stated above, the balances and interest rate ranges of transactions with major shareholders of the Group are as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Loans and advances to customers	1,194,000	714,143	700,600	185,000
Investment securities	—	48,977	249,829	349,800
Placements from banks and other financial institutions	374,475	693,105	573,475	510,388
Deposits from customers	342,493	840,011	434,305	483,379
Bank acceptances	—	230	—	30,000
Letter of guarantee	—	—	1,367	1,023

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Loans and advances to customers	4.78%-6.11%	5.23%-8.65%	5.76%-8.83%	5.90%-8.40%
Investment securities	—	4.22%-5.38%	4.22%-5.75%	4.72%-7.80%
Placements from banks and other financial institutions	0.72%-2.50%	0.50%-5.91%	0.39%-4.57%	0.72%-8.50%
Deposits from customers	0.36%-3.50%	0.50%-3.50%	0.39%-4.75%	0.39%-5.13%

As for the periods stated above, the interest income and expense of loans and deposits with respect to major shareholders are as follows:

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Interest income	65,803	45,633	55,700	10,094
Interest expense	2,861	8,620	6,000	6,095

b) Transactions with other related parties

As at balance sheet dates stated above, the balances and interest rate ranges of transactions with other related parties of the Group are as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Placements with and loans to banks and other financial institutions	518,091	1,344,648	57,436	75,674
Loans and advances to customers	—	205	1,343	1,241
Placements from banks and other financial institutions	244,427	210,303	111,404	61,156
Deposits from customers	8,844	5,221	3,211	5,592

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Placements with and loans to banks and other financial institutions	3.90%-5.10%	7.80%-10.80%	4.56%-7.20%	4.08%-4.50%
Loans and advances to customers	—	4.48%	4.50%-6.45%	3.75%-5.99%
Placements from banks and other financial institutions	0.72%-1.17%	0.72%	0.39%-0.72%	0.39%-0.72%
Deposits from customers	0.36%-5.00%	0.50%-5.00%	0.39%-4.75%	0.39%-4.75%

As for the periods stated above, the interest income and expense of loans and deposits with respect to other related parties are as follows:

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Interest income	—	13	53	31
Interest expense	84	78	13	23

c) Emoluments for directors, supervisors and senior management

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Emoluments for directors, supervisors and senior management	13,019	26,025	27,061	11,297

d) Transactions with subsidiaries

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Placements from banks and other financial institutions	—	—	—	89,102

45 Segment Analysis

The Group manages the business from both a business and geographic perspective. From the business perspective, the Group provides services through four main business segments listed below:

Corporate banking

—Services to corporate customers, government authorities and financial institutions including current accounts, deposits, overdrafts, loans, trade related products and other credit facilities, foreign currency, and wealth management products.

Retail banking

—Services to retail customers including savings deposits, retail loans, credit cards and debit cards, payments and settlements, wealth management products and funds and insurance agency services.

Treasury

Treasury segment conducts security investment, money market and repurchase transactions. The results of this segment include the intersegment funding income and expenses, resulting from interest bearing assets and liabilities and foreign currency translation gains and losses.

Others

Other operations of the Group comprise investment holding and other miscellaneous activities, none of which constitutes a separately reportable segment.

Geographically, the Group mainly performs its business in Anhui Province and the Yangtze River Delta area of PRC. All information disclosed is based on the locations of bank branches.

	Year ended December 31, 2010				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	4,956,587	1,151,248	2,148,463	—	8,256,298
Net interest expense to external customers	(1,187,357)	(399,991)	(652,063)	—	(2,239,411)
Intersegment net interest income/(expense)	143,586	596,876	(740,462)	—	—
Net interest income	3,912,816	1,348,133	755,938	—	6,016,887
Net fee and commission income	166,791	47,364	37,120	—	251,275
Net trading income	—	—	(32,061)	—	(32,061)
Net gains/losses from investment securities	—	—	(32,373)	—	(32,373)
Dividends income	—	—	343	—	343
Other operating income	—	—	—	65,986	65,986
Operating expenses	(1,499,199)	(620,832)	(71,711)	(11,307)	(2,203,049)
—Depreciation and amortization	(91,299)	(74,058)	(393)	—	(165,750)
Impairment losses on assets	(464,417)	(113,958)	—	—	(578,375)
Share of profits of associates	—	—	—	13,440	13,440
Profit before income tax	2,115,991	660,707	657,256	68,119	3,502,073
	As at December 31, 2010				
Capital expenditure	101,128	82,032	436	—	183,596
Segment assets	91,523,429	25,953,017	90,148,795	669,233	208,294,474
Including: investment in associates	—	—	—	153,440	153,440
Deferred income tax assets					681,674
Total assets					208,976,148
Segment liabilities	(127,771,685)	(33,477,918)	(31,924,760)	(1,444,492)	(194,618,855)
Off-balance sheet credit commitments	30,858,656	515,590	—	—	31,374,246

	Year ended December 31, 2011				
	Corporate banking	**Retail banking**	**Treasury**	**Others**	**Total**
Net interest income from external customers	6,559,579	1,637,281	3,055,739	—	11,252,599
Net interest expense to external customers	(1,893,825)	(596,890)	(1,673,178)	—	(4,163,893)
Intersegment net interest income/(expense)	(100,734)	756,425	(655,691)	—	—
Net interest income	4,565,020	1,796,816	726,870	—	7,088,706
Net fee and commission income	257,966	95,206	59,589	—	412,761
Net trading income	—	—	51,947	—	51,947
Net gains/losses from investment securities	—	—	30,350	—	30,350
Dividends income	—	—	2,249	—	2,249
Other operating income	—	—	—	65,111	65,111
Operating expenses	(1,688,494)	(698,100)	(91,828)	(21,952)	(2,500,374)
—Depreciation and amortization	(92,642)	(76,765)	(446)	—	(169,853)
Impairment losses on assets	(445,610)	(133,665)	422	—	(578,853)
Share of profits of associates	—	—	—	31,750	31,750
Profit before income tax	2,688,882	1,060,257	779,599	74,909	4,603,647

	As at December 31, 2011				
Capital expenditure	137,548	113,975	661	—	252,184
Segment assets	108,233,374	31,694,799	115,929,496	372,417	256,230,086
Including: investment in associates	—	—	—	185,190	185,190
Deferred income tax assets					751,470
Total assets					256,981,556
Segment liabilities	(162,898,825)	(42,816,562)	(33,353,940)	(828,703)	(239,898,030)
Off-balance sheet credit commitments	43,191,166	543,609	—	—	43,734,775

	Year ended December 31, 2012				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	8,735,834	2,107,319	4,318,210	—	15,161,363
Net interest expense to external customers	(3,244,768)	(815,881)	(2,531,866)	—	(6,592,515)
Intersegment net interest income/(expense)	(399,506)	1,001,889	(602,383)	—	—
Net interest income	5,091,560	2,293,327	1,183,961	—	8,568,848
Net fee and commission income	241,658	100,867	53,206	—	395,731
Net trading income	—	—	40,494	—	40,494
Net gains/losses from investment securities	—	—	66,593	—	66,593
Dividends income	—	—	305	—	305
Other operating income	—	—	—	162,994	162,994
Operating expenses	(2,134,129)	(869,434)	(106,014)	(22,691)	(3,132,268)
—Depreciation and amortization	(109,649)	(91,015)	(540)	—	(201,204)
Impairment losses on assets	(410,526)	(56,577)	9,388	—	(457,715)
Share of profits of associates	—	—	—	35,056	35,056
Profit before income tax	2,788,563	1,468,183	1,247,933	175,359	5,680,038
	As at December 31, 2012				
Capital expenditure	215,176	178,607	1,058	—	394,841
Segment assets	129,228,042	36,347,223	156,761,207	1,036,727	323,373,199
Including: investment in associates	—	—	—	220,246	220,246
Deferred income tax assets					851,158
Total assets					324,224,357
Segment liabilities	(188,536,633)	(53,867,769)	(58,970,569)	(2,368,462)	(303,743,433)
Off-balance sheet credit commitments	50,766,873	1,708,977	—	—	52,475,850

	Six months ended June 30, 2012 (unaudited)				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	4,155,399	1,019,909	1,710,686	—	6,885,994
Net interest expense to external customers	(1,468,934)	(385,263)	(897,269)	—	(2,751,466)
Intersegment net interest income/ (expense)	(118,677)	469,700	(351,023)	—	—
Net interest income	2,567,788	1,104,346	462,394	—	4,134,528
Net fee and commission income	107,876	43,859	21,414	—	173,149
Net trading income	—	—	93,684	—	93,684
Net gains/losses from investment securities	—	—	51,148	—	51,148
Dividends income	—	—	280	—	280
Other operating income	—	—	—	70,926	70,926
Operating expenses	(950,914)	(383,589)	(60,616)	(8,897)	(1,404,016)
—*Depreciation and amortization*	(51,073)	(42,164)	(276)	—	(93,513)
Impairment losses on assets	(275,650)	11,052	—	—	(264,598)
Share of profits of associates	—	—	—	12,128	12,128
Profit before income tax	1,449,100	775,668	568,304	74,157	2,867,229

	Six months ended June 30, 2013				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	4,779,766	1,184,972	3,115,114	—	9,079,852
Net interest expense to external customers	(1,740,421)	(496,502)	(2,118,823)	—	(4,355,746)
Intersegment net interest income/(expense)	(230,282)	632,024	(401,742)	—	—
Net interest income	2,809,063	1,320,494	594,549	—	4,724,106
Net fee and commission income	194,426	81,385	17,494	—	293,305
Net trading income	—	—	28,725	—	28,725
Net gains/losses from investment securities	—	—	4,150	—	4,150
Other operating income	—	—	—	68,134	68,134
Operating expenses	(1,041,694)	(414,329)	(50,107)	(5,256)	(1,511,386)
—Depreciation and amortization	(62,815)	(52,520)	(308)	—	(115,643)
Impairment losses on assets	(343,271)	(81,045)	—	—	(424,316)
Share of profits of associates	—	—	—	24,024	24,024
Profit before income tax	1,618,524	906,505	594,811	86,902	3,206,742
	As at June 30, 2013				
Capital expenditure	47,763	39,936	234	—	87,933
Segment assets	139,465,615	43,029,420	225,256,356	974,862	408,726,253
Including: investment in associates				310,730	310,730
Deferred income tax assets					860,844
Total assets					409,587,097
Segment liabilities	(194,478,966)	(61,036,967)	(130,543,244)	(1,341,644)	(387,400,821)
Off-balance sheet credit commitments	56,259,650	2,278,188	—	—	58,537,838

	Year ended December 31, 2010				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
Net interest income from external customers	5,427,706	391,512	2,437,080	—	8,256,298
Net interest expense to external customers	(1,677,798)	(128,074)	(433,539)	—	(2,239,411)
Intersegment net interest income/(expense)	1,002,686	(21,453)	(981,233)	—	—
Net interest income	4,752,594	241,985	1,022,308	—	6,016,887
Net fee and commission income	197,986	6,020	47,269	—	251,275
Net trading income	20,689	405	(53,155)	—	(32,061)
Net gains/losses from investment securities	—	—	(32,373)	—	(32,373)
Dividends income	—	—	343	—	343
Other operating income	43,706	19	22,261	—	65,986
Operating expenses	(1,446,350)	(90,710)	(665,989)	—	(2,203,049)
—Depreciation and amortization	(99,638)	(9,558)	(56,554)	—	(165,750)
Impairment losses on assets	(497,941)	(80,434)	—	—	(578,375)
Share of profits of associates	—	—	13,440	—	13,440
Profit before income tax	3,070,684	77,285	354,104	—	3,502,073

	As at December 31, 2010				
Capital expenditure	105,676	15,647	62,273	—	183,596
Segment assets	191,187,232	8,320,745	68,732,803	(59,946,306)	208,294,474
Including: investment in associates	—	—	153,440	—	153,440
Deferred income tax assets					681,674
Total assets					208,976,148
Segment liabilities	(128,590,147)	(8,441,816)	(117,533,198)	59,946,306	(194,618,855)
Off-balance sheet credit commitments	23,698,226	5,412,083	2,263,937	—	31,374,246

	Year ended December 31, 2011				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
Net interest income from external customers	7,248,384	528,765	3,475,450	—	11,252,599
Net interest expense to external customers	(2,674,053)	(287,334)	(1,202,506)	—	(4,163,893)
Intersegment net interest income/(expense)	1,101,280	(11,527)	(1,089,753)	—	—
Net interest income	5,675,611	229,904	1,183,191	—	7,088,706
Net fee and commission income	321,395	17,454	73,912	—	412,761
Net trading income	16,651	688	34,608	—	51,947
Net gains/losses from investment securities	—	—	30,350	—	30,350
Dividends income	—	—	2,249	—	2,249
Other operating income	90,767	(1,443)	(24,213)	—	65,111
Operating expenses	(1,801,887)	(130,776)	(567,711)	—	(2,500,374)
—Depreciation and amortization	(99,485)	(11,814)	(58,554)	—	(169,853)
Impairment losses on assets	(547,073)	(32,202)	422	—	(578,853)
Share of profits of associates	—	—	31,750	—	31,750
Profit before income tax	3,755,464	83,625	764,558	—	4,603,647

	As at December 31, 2011				
Capital expenditure	97,853	590	153,741	—	252,184
Segment assets	214,429,770	12,048,706	99,992,425	(70,240,815)	256,230,086
Including: investment in associates	—	—	185,190	—	185,190
Deferred income tax assets					751,470
Total assets					256,981,556
Segment liabilities	(146,008,687)	(10,236,736)	(153,893,422)	70,240,815	(239,898,030)
Off-balance sheet credit commitments	29,730,999	10,262,220	3,741,556	—	43,734,775

	Year ended December 31, 2012				
	Anhui Province	**Pan Yangtze River Delta**	**Head Office**	**Intersegment eliminations**	**Total**
Net interest income from external customers	9,412,865	597,622	5,150,876	—	15,161,363
Net interest expense to external customers	(3,950,022)	(486,118)	(2,156,375)	—	(6,592,515)
Intersegment net interest income/ (expense)	1,450,999	136,130	(1,587,129)	—	—
Net interest income	6,913,842	247,634	1,407,372	—	8,568,848
Net fee and commission income	243,571	23,522	128,638	—	395,731
Net trading income	20,654	815	19,025	—	40,494
Net gains/losses from investment securities	—	—	66,593	—	66,593
Dividends income	—	—	305	—	305
Other operating income	60,928	—	102,066	—	162,994
Operating expenses	(2,162,772)	(169,395)	(800,101)	—	(3,132,268)
—Depreciation and amortization	(123,803)	(14,057)	(63,344)	—	(201,204)
Impairment losses on assets	(451,398)	(15,705)	9,388	—	(457,715)
Share of profits of associates	—	—	35,056	—	35,056
Profit before income tax	4,624,825	86,871	968,342	—	5,680,038

	As at December 31, 2012				
Capital expenditure	185,592	3,873	205,376	—	394,841
Segment assets	235,569,202	21,046,886	141,158,867	(74,401,756)	323,373,199
Including: investment in associates	—	—	220,246	—	220,246
Deferred income tax assets					851,158
Total assets					324,224,357
Segment liabilities	(171,472,840)	(13,605,798)	(193,066,551)	74,401,756	(303,743,433)
Off-balance sheet credit commitments	35,803,295	12,799,875	3,872,680	—	52,475,850

	Six months ended June 30, 2012 (unaudited)				
	Anhui Province	**Pan Yangtze River Delta**	**Head Office**	**Intersegment eliminations**	**Total**
Net interest income from external customers	4,534,901	296,709	2,054,384	—	6,885,994
Net interest expense to external customers	(1,747,255)	(175,407)	(828,804)	—	(2,751,466)
Intersegment net interest income/(expense)	658,317	29,817	(688,134)	—	—
Net interest income	3,445,963	151,119	537,446	—	4,134,528
Net fee and commission income	96,474	10,023	66,652	—	173,149
Net trading income	9,194	243	84,247	—	93,684
Net gains/losses from investment securities	—	—	51,148	—	51,148
Dividends income	—	—	280	—	280
Other operating income	9,350	—	61,576	—	70,926
Operating expenses	(952,130)	(67,751)	(384,135)	—	(1,404,016)
—*Depreciation and amortization*	(58,037)	(6,881)	(28,595)	—	(93,513)
Impairment losses on assets	(255,721)	(8,877)	—	—	(264,598)
Share of profits of associates	—	—	12,128	—	12,128
Profit before income tax	2,353,130	84,757	429,342	—	2,867,229

	Six months ended June 30, 2013				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
Net interest income from external customers	5,276,654	370,131	3,433,067	—	9,079,852
Net interest expense to external customers	(2,264,425)	(237,937)	(1,853,384)	—	(4,355,746)
Intersegment net interest income/(expense)	752,347	52,609	(804,956)	—	—
Net interest income	3,764,576	184,803	774,727	—	4,724,106
Net fee and commission income	196,113	18,996	78,196	—	293,305
Net trading income	10,408	564	17,753	—	28,725
Net gains/losses from investment securities	—	—	4,150	—	4,150
Other operating income	12,507	—	55,627	—	68,134
Operating expenses	(1,011,394)	(90,857)	(409,135)	—	(1,511,386)
—Depreciation and amortization	(71,618)	(7,748)	(36,277)	—	(115,643)
Impairment losses on assets	(391,216)	(33,100)	—	—	(424,316)
Share of profits of associates	—	—	24,024	—	24,024
Profit before income tax	2,580,994	80,406	545,342	—	3,206,742
	As at June 30, 2013				
Capital expenditure	46,554	3,697	37,682	—	87,933
Segment assets	259,744,314	19,106,385	214,367,942	(84,492,388)	408,726,253
Including: investment in associates	—	—	310,730	—	310,730
Deferred income tax assets					860,844
Total assets					409,587,097
Segment liabilities	(181,550,722)	(14,885,763)	(275,456,724)	84,492,388	(387,400,821)
Off-balance sheet credit commitments	38,551,471	14,249,409	5,736,958	—	58,537,838

There were no material transactions with a single external customer that the Group mainly relies on.

46 Financial risk management

Overview

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in the business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The most important types of risks are credit risk, liquidity risk and market risk which also include currency risk and interest rate risk.

The Board of Directors is responsible for establishing the overall risk appetite of the Group. The Senior Management establishes corresponding risk management policies and procedures covering areas of credit risk, market risk and liquidity risk under the risk appetite approved by the Board of Directors.

46.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk increases when counterparties are within similar industry segments or geographical regions. Credit exposures arise principally in loans and advances to banks, customers and securities. There is also credit risk in off-balance sheet financial arrangements: such as loan commitments. The Group mainly conducts its business in Anhui Province of PRC, indicating a concentration risk in the Group's credit portfolio which makes it vulnerable to economic changes in the region. Management therefore carefully manages its exposure to credit risks. The credit risk management and control are centralized in the Risk Management Department of Head Office and reported to Senior Management regularly.

46.1.1 Credit risk measurement

(i) Loans and advances and off-balance sheet commitments

The Group measures and manages the credit quality of its credit assets through five-category system based on the "Guideline for loan Credit Risk Classification" (the "guideline") issued by the CBRC. The Guideline of Risk Classification of Loans requires commercial banks to classify their credit assets into five categories, namely pass, special-mention, sub-standard, doubtful and loss categories, among which loan classified in sub-standard, doubtful and loss categories are regarded as non-performing loans.

The five categories are defined by the Guideline as follows:

Pass:	loans for which borrowers can honor the terms of the contracts, and there is no reason to doubt their ability to repay principal and interest of loans in full and on a timely basis.
Special-mention:	loans for which borrowers are still able to service the loans currently, although the repayment of loans might be adversely affected by some factors.
Sub-standard:	loans for which borrowers' ability to service loans is apparently in question and borrowers cannot depend on their normal business revenues to pay back the principal and interest of loans. Certain losses might be incurred by the Group even when guarantees are executed.
Doubtful:	loans for which borrowers cannot pay back principal and interest of loans in full and significant losses will be incurred by the Group even when guarantees are executed.
Loss:	principal and interest of loans cannot be recovered or only a small portion can be recovered after taking all possible measures and resorting to necessary legal procedures.

(ii) Debt securities and other bills

The Group manages the credit risk through restriction on the types of and management of issuers of debt securities and other bills invested. It is prohibited to purchase RMB bonds issued by companies not from SOE background. So far, the Group holds no foreign currency bonds.

(iii) Placements with and loans to banks and other financial institutions

The Group's Head Office executes regular review and management of credit risk related to individual financial institutions, and sets credit lines for individual banks and other financial institutions that it conducts business with.

46.1.2 Risk limit control and mitigation policies

The Group manages, controls concentrations of credit risk wherever they are identified—in particular, to individual counterparties and groups, and to industries and regions. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

The Group adopts branches and business departments obtain operation authority from Head Office. Based on the status of geographical economy, management level of branches, types of credit products, types of credit rating, collateral type, and scale of customers, Head Office gives dynamic authority to its branches with respect to credit business. Such authorities are monitored on a revolving basis and subject to a regular review to make sure operations of the branches are within limits of authority granted.

(i) Credit risk mitigation policies

The Group employs a range of policies and practices to mitigate credit risk. The most prevalent of these is taken by the Group include the taking of physical or cash collaterals, cash deposit and corporate or individual guarantees.

The Group implements guidelines on the acceptability of specific classes of collateral. The principal collateral types are:

- Property and land use rights
- General movable assets
- Time deposit receipts, debt securities and commodity warehouse receipts etc

The fair value of collaterals should be assessed by professional valuation firms appointed by the Group. The Group has set maximum loan-to-value ratio (ratio of loan balances against fair value of collateral) for different collaterals. The principal collateral types and maximum loan-to-value ratio for corporate and retail loans are as follows:

Collateral	Maximum loan-to-value ratio
Residential property, commercial property, construction land use rights	70%
Office buildings	60%
General movable assets	50%
RMB deposit receipts, bank notes, government bonds	90%
Debt securities issued by financial institutions	80%
Commodity warehouse receipt	60%

For loans guaranteed by a third-party guarantor, the Group will assess guarantor's financial condition, credit history and ability to meet obligations.

(ii) Credit-related off-balance sheet commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees are irrevocable commitments made by the Group for which the Group must make payments to the third party when its customers fail to satisfy this obligation. Hence, they carry the same credit risks as loans. The Group usually takes cash collateral to mitigate such credit risk. The Group's maximum exposure to credit risk equals the total amount of credit-related off-balance sheet commitments.

46.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Credit risk exposures relating to on-balance sheet financial assets are as follows:				
Balances with the central banks	33,860,147	54,972,549	56,675,560	58,663,758
Due from banks and other financial institutions	1,496,352	7,076,208	3,833,665	4,167,340
Placement with and loans to banks and other financial institutions	1,237,152	3,581,172	2,813,377	892,597
Financial assets held for trading	2,717,898	5,035,807	3,598,834	3,668,418
Derivative financial assets	—	—	—	210
Financial assets held under resale agreements	10,542,884	5,317,376	38,198,123	92,280,894
Loans and advances to customers	114,058,443	133,922,883	159,941,475	178,866,061
investment securities—loans and receivables	6,888,458	3,815,116	1,814,189	8,433,399
investment securities—available-for-sale	20,851,086	18,337,920	25,564,222	31,105,523
investment securities—held-to-maturity	13,190,678	20,604,548	26,062,726	25,712,109
Other financial assets	1,211,710	1,097,233	2,017,310	1,991,532
	206,054,808	253,760,812	320,519,481	405,781,841
Credit risk exposures relation to off-balance sheet items are as follows:				
Bank acceptance	27,467,421	38,087,308	46,602,041	50,744,290
Letter of credit	1,682,903	3,053,143	2,023,348	3,335,708
Letter of guarantee	1,656,332	1,752,715	1,674,944	1,774,252
Loan commitments	52,000	298,000	466,540	405,400
Unused credit card lines	515,590	543,609	1,708,977	2,278,188
	31,374,246	43,734,775	52,475,850	58,537,838

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Credit risk exposures relating to on-balance sheet financial assets are as follows:				
Balances with the central banks	33,860,147	54,972,549	56,675,560	58,663,758
Due from banks and other financial institutions	1,496,352	7,076,208	3,833,665	4,167,340
Placement with and loans to banks and other financial institutions	1,237,152	3,581,172	2,813,377	892,597
Financial assets held for trading	2,717,898	5,035,807	3,598,834	3,668,418
Derivative financial assets	—	—	—	210
Financial assets held under resale agreements	10,542,884	5,317,376	38,198,123	92,280,894
Loans and advances to customers	114,058,443	133,922,883	159,941,475	178,865,861
investment securities—loans and receivables	6,888,458	3,815,116	1,814,189	8,433,399
investment securities—available-for-sale	20,851,086	18,337,920	25,564,222	31,105,523
investment securities—held-to-maturity	13,190,678	20,604,548	26,062,726	25,712,109
Other financial assets	1,211,710	1,097,233	2,017,310	1,991,532
	206,054,808	253,760,812	320,519,481	405,781,641
Credit risk exposures relation to off-balance sheet items are as follows:				
Bank acceptance	27,467,421	38,087,308	46,602,041	50,744,290
Letter of credit	1,682,903	3,053,143	2,023,348	3,335,708
Letter of guarantee	1,656,332	1,752,715	1,674,944	1,774,252
Loan commitments	52,000	298,000	466,540	405,400
Unused credit card lines	515,590	543,609	1,708,977	2,278,188
	31,374,246	43,734,775	52,475,850	58,537,838

The above table represents a worst case scenario of credit risk exposure to the Group and the Bank at December 31, 2010, 2011 and 2012, and June 30, 2013, without taking into account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As mentioned above, 44.08% of on-balance-sheet exposure is attributable to loans and advances to customers (2012: 49.90%, 2011: 52.78%, 2010: 55.35%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from its loans and advances portfolio based on the following:

- 97.32% of the loans and advances portfolio is categorized as Pass of the five-category system (2012: 97.08%, 2011: 95.82%, 2010: 94.19%);
- Collateralized loans and mortgage loans, which represents the biggest group in the corporate and retail portfolio respectively, are backed by collateral;
- 99.06% of the loans and advances portfolio are considered to be neither past due nor impaired (2012: 99.22%, 2011: 99.36%, 2010: 99.32%);

46.1.4 Placement with and loans to banks and other financial institutions and financial assets held under resale agreements

The Group and Bank

	Year ended December 31,			Period ended June 30,
	2010	2011	2012	2013
Neither past due nor impaired(i)	11,780,458	8,898,548	41,011,500	93,173,491
Impaired(ii)	48,081	48,081	38,417	33,681
	11,828,539	8,946,629	41,049,917	93,207,172
Less: impairment allowance	(48,503)	(48,081)	(38,417)	(33,681)
Net	11,780,036	8,898,548	41,011,500	93,173,491

(i) Neither past due nor impaired

The Group and Bank

	Year ended December 31,			Period ended June 30,
	2010	2011	2012	2013
Commercial banks in PRC mainland	4,464,816	6,861,070	39,463,865	85,934,894
Other financial institutions in PRC mainland	7,315,642	2,037,478	1,547,635	7,238,597
	11,780,458	8,898,548	41,011,500	93,173,491

(ii) Impaired

As at December 31, 2010, 2011 and 2012, and June 30, 2013, the Group has provided 100% impairment allowance for impaired placement with and loans to banks and other financial institutions and financial assets held under resale agreements.

46.1.5 Loans and advances to customers

(a) Analysis of loans and advances to customers by industry

The Group

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
Corporate loans								
Manufacturing	23,725,970	20	31,512,125	22	36,212,063	22	39,570,612	22
Commerce and Service	17,440,211	15	23,455,046	17	33,594,295	20	40,052,138	22
Public utility	23,879,820	22	19,253,367	14	12,506,560	8	13,556,892	7
Construction	5,038,631	4	7,588,935	6	9,933,991	6	11,604,488	6
Real estate	6,028,255	5	6,187,552	5	9,344,416	6	11,627,569	6
Energy and chemistry	3,880,258	3	4,741,864	3	4,825,041	3	4,374,363	2
Transportation	3,533,670	3	3,283,519	2	4,486,120	3	3,892,254	2
Education and media	1,621,430	1	1,479,091	1	1,656,666	1	2,363,635	1
Catering and travelling	1,154,559	1	1,335,544	1	1,548,834	1	1,508,480	1
Financial services	746,400	1	802,700	1	1,575,350	1	979,715	1
Others	501,259	—	696,948	1	1,124,310	1	1,651,153	1
Discounted bills	4,554,797	4	6,460,288	5	11,907,252	7	10,030,847	6
Subtotal	92,105,260	79	106,796,979	78	128,714,898	79	141,212,146	77
Retail loans								
Mortgages	17,783,001	15	22,836,915	17	25,201,772	15	30,101,183	17
Revolving loans for private business	3,657,308	3	4,560,461	3	6,423,598	4	7,825,633	4
Others	3,488,449	3	3,218,654	2	3,454,498	2	3,918,469	2
Subtotal	24,928,758	21	30,616,030	22	35,079,868	21	41,845,285	23
Total loans and advances to customers, before impairment allowance	117,034,018	100	137,413,009	100	163,794,766	100	183,057,431	100

The Bank

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
Corporate loans								
Manufacturing	23,725,970	20	31,512,125	22	36,212,063	22	39,570,612	22
Commerce and Service	17,440,211	15	23,455,046	17	33,594,295	20	40,052,138	22
Public utility	23,879,820	22	19,253,367	14	12,506,560	8	13,556,892	7
Construction	5,038,631	4	7,588,935	6	9,933,991	6	11,604,488	6
Real estate	6,028,255	5	6,187,552	5	9,344,416	6	11,627,569	6
Energy and chemistry	3,880,258	3	4,741,864	3	4,825,041	3	4,374,363	2
Transportation	3,533,670	3	3,283,519	2	4,486,120	3	3,892,254	2
Education and media	1,621,430	1	1,479,091	1	1,656,666	1	2,363,635	1
Catering and travelling	1,154,559	1	1,335,544	1	1,548,834	1	1,508,480	1
Financial services	746,400	1	802,700	1	1,575,350	1	979,715	1
Others	501,259	—	696,948	1	1,124,310	1	1,651,153	1
Discounted bills	4,554,797	4	6,460,288	5	11,907,252	7	10,030,847	6
Subtotal	92,105,260	79	106,796,979	78	128,714,898	79	141,212,146	77
Retail loans								
Mortgages	17,783,001	15	22,836,915	17	25,201,772	15	30,101,183	17
Revolving loans for private business	3,657,308	3	4,560,461	3	6,423,598	4	7,825,633	4
Others	3,488,449	3	3,218,654	2	3,454,498	2	3,918,269	2
Subtotal	24,928,758	21	30,616,030	22	35,079,868	21	41,845,085	23
Total loans and advances to customers, before impairment allowance	117,034,018	100	137,413,009	100	163,794,766	100	183,057,231	100

Analysis of loans and advances to customers by industry is conducted based on the industries of the borrowers.

(b) Analysis of loans and advances to customers by collateral type

The contractual amounts of loans and advances to customers are analyzed by contractual maturity and security type:

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Unsecured	13,725,365	16,248,166	13,535,831	13,481,197
Guaranteed	41,992,044	48,251,102	54,000,075	58,953,009
Collateralized	54,556,336	61,193,961	75,939,391	90,853,728
Pledged	6,760,273	11,719,780	20,319,469	19,769,497
Total loans and advances to customers	117,034,018	137,413,009	163,794,766	183,057,431

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Unsecured	13,725,365	16,248,166	13,535,831	13,480,997
Guaranteed	41,992,044	48,251,102	54,000,075	58,953,009
Collateralized	54,556,336	61,193,961	75,939,391	90,853,728
Pledged	6,760,273	11,719,780	20,319,469	19,769,497
Total loans and advances to customers	117,034,018	137,413,009	163,794,766	183,057,231

(c) Analysis of loans and advances to customers by geographical area

The Group

	As at December 31,									As at June 30,		
	2010			2011			2012			2013		
	Total	%	NPL ratio	Total	%	NPL ratio	Total	%	NPL ratio	Total	%	NPL ratio
Anhui Province	109,072,779	93.20%	0.64%	128,197,303	93.29%	0.51%	153,197,324	93.53%	0.62%	169,854,147	92.79%	0.66%
Jiangsu Province	7,961,239	6.80%	—	9,215,706	6.71%	—	10,597,442	6.47%	—	13,203,284	7.21%	0.36%
Total loans and advances to customers	117,034,018	100.00%	0.60%	137,413,009	100.00%	0.48%	163,794,766	100.00%	0.58%	183,057,431	100.00%	0.64%

The Bank

	As at December 31,									As at June 30,		
	2010			2011			2012			2013		
	Total	%	NPL ratio	Total	%	NPL ratio	Total	%	NPL ratio	Total	%	NPL ratio
Anhui Province	109,072,779	93.20%	0.64%	128,197,303	93.29%	0.51%	153,197,324	93.53%	0.62%	169,853,947	92.79%	0.66%
Jiangsu Province	7,961,239	6.80%	—	9,215,706	6.71%	—	10,597,442	6.47%	—	13,203,284	7.21%	0.36%
Total loans and advances to customers	117,034,018	100.00%	0.60%	137,413,009	100.00%	0.48%	163,794,766	100.00%	0.58%	183,057,231	100.00%	0.64%

(d) Analysis of loans and advances to customers by overdue and impaired status

The Group

	Year ended December 31,						Period ended June 30,	
	2010		2011		2012		2013	
	Corporate loans	Retail loans	Corporate loans	Retail loans	Corporate loans	Retail loans	Corporate loans	Retail loans
Neither past due nor impaired (e)	91,493,226	24,747,015	106,218,118	30,314,437	127,857,120	34,663,296	139,947,329	41,389,594
Past due but not impaired (f)	19,863	76,737	8,198	217,858	19,926	305,329	224,331	331,313
Impaired (g)	592,171	105,006	570,663	83,735	837,852	111,243	1,040,486	124,378
Total	92,105,260	24,928,758	106,796,979	30,616,030	128,714,898	35,079,868	141,212,146	41,845,285
Less: collectively assessed impairment allowance	(2,405,073)	(316,013)	(2,799,576)	(442,631)	(3,108,442)	(490,184)	(3,218,875)	(564,310)
Indivudially assessed impairment allowance	(254,489)	—	(247,919)	—	(254,665)	—	(408,185)	—
Total impairment allowance	(2,659,562)	(316,013)	(3,047,495)	(442,631)	(3,363,107)	(490,184)	(3,627,060)	(564,310)
Net	89,445,698	24,612,745	103,749,484	30,173,399	125,351,791	34,589,684	137,585,086	41,280,975

The Bank

	Year ended December 31,						Period ended June 30,	
	2010		2011		2012		2013	
	Corporate loans	Retail loans	Corporate loans	Retail loans	Corporate loans	Retail loans	Corporate loans	Retail loans
Neither past due nor impaired (e)	91,493,226	24,747,015	106,218,118	30,314,437	127,857,120	34,663,296	139,947,329	41,389,394
Past due but not impaired (f)	19,863	76,737	8,198	217,858	19,926	305,329	224,331	331,313
Impaired (g)	592,171	105,006	570,663	83,735	837,852	111,243	1,040,486	124,378
Total	92,105,260	24,928,758	106,796,979	30,616,030	128,714,898	35,079,868	141,212,146	41,845,085
Less: collectively assessed impairment allowance	(2,405,073)	(316,013)	(2,799,576)	(442,631)	(3,108,442)	(490,184)	(3,218,875)	(564,310)
Indivudially assessed impairment allowance	(254,489)	—	(247,919)	—	(254,665)	—	(408,185)	—
Total impairment allowance	(2,659,562)	(316,013)	(3,047,495)	(442,631)	(3,363,107)	(490,184)	(3,627,060)	(564,310)
Net	89,445,698	24,612,745	103,749,484	30,173,399	125,351,791	34,589,684	137,585,086	41,280,775

(e) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired of single corporate customer can be assessed by reference to the five-category system adopted by the Group.

The Group and Bank

	Five-category classification		
	Pass	Special-Mention	Total
As at December 31, 2010			
Neither past due nor impaired			
Corporate loans			
—Commercial loans	82,799,459	4,138,970	86,938,429
—Discounted bills	3,905,289	649,508	4,554,797
Subtotal	86,704,748	4,788,478	91,493,226
Retail loans	24,745,736	1,279	24,747,015
Total	111,450,484	4,789,757	116,240,241

The Group and Bank

	Five-category classification		
	Pass	Special-Mention	Total
As at December 31, 2011			
Neither past due nor impaired			
Corporate loans			
—Commercial loans	97,869,997	1,887,832	99,757,829
—Discounted bills	5,751,567	708,722	6,460,289
Subtotal	103,621,564	2,596,554	106,218,118
Retail loans	30,313,320	1,117	30,314,437
Total	133,934,884	2,597,671	136,532,555

The Group and Bank

	Five-category classification		
	Pass	Special-Mention	Total
As at December 31, 2012			
Neither past due nor impaired			
Corporate loans			
—Commercial loans	112,578,554	3,371,314	115,949,868
—Discounted bills	11,633,073	274,179	11,907,252
Subtotal	124,211,627	3,645,493	127,857,120
Retail loans	34,658,597	4,699	34,663,296
Total	158,870,224	3,650,192	162,520,416

The Group

	Five-category classification		
	Pass	Special-Mention	Total
As at June 30, 2013			
Neither past due nor impaired			
Corporate loans			
—Commercial loans	126,961,880	2,954,602	129,916,482
—Discounted bills	9,541,113	489,734	10,030,847
Subtotal	136,502,993	3,444,336	139,947,329
Retail loans	41,372,874	16,720	41,389,594
Total	177,875,867	3,461,056	181,336,923

The Bank

	Five-category classification		
	Pass	Special-Mention	Total
As at June 30, 2013			
Neither past due nor impaired			
Corporate loans			
—Commercial loans	126,961,880	2,954,602	129,916,482
—Discounted bills	9,541,113	489,734	10,030,847
Subtotal	136,502,993	3,444,336	139,947,329
Retail loans	41,372,674	16,720	41,389,394
Total	177,875,667	3,461,056	181,336,723

(f) Loans and advances past due but not impaired

Analysis of assets overdue but not impaired by overdue days:

The Group and Bank

	Up to 30 days	30-60 days	60-90 days	over 90 days	Total
As at December 31, 2010					
Corporate loans	15,783	4,000	—	80	19,863
Retail loans	5,054	29,898	20,042	21,743	76,737
Total	20,837	33,898	20,042	21,823	96,600

The Group and Bank

	Up to 30 days	30-60 days	60-90 days	over 90 days	Total
As at December 31, 2011					
Corporate loans	3,293	4,905	—	—	8,198
Retail loans	133,764	38,929	18,420	26,745	217,858
Total	137,057	43,834	18,420	26,745	226,056

The Group and Bank

	Up to 30 days	30-60 days	60-90 days	over 90 days	Total
As at December 31, 2012					
Corporate loans	13,242	1,984	2,100	2,600	19,926
Retail loans	157,600	59,692	29,420	58,617	305,329
Total	170,842	61,676	31,520	61,217	325,255

The Group and Bank

	Up to 30 days	30-60 days	60-90 days	over 90 days	Total
As at June 30, 2013					
Corporate loans	151,457	28,324	18,465	26,085	224,331
Retail loans	184,422	59,705	28,640	58,546	331,313
Total	335,879	88,029	47,105	84,631	555,644

(g) Impaired loans and advances

The breakdown of the gross amount of impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Corporate loans	592,171	570,663	837,852	1,040,486
Retail loans	105,006	83,735	111,243	124,378
Total	697,177	654,398	949,095	1,164,864
Fair value of collateral				
Corporate loans	394,079	411,438	289,770	845,458
Retail loans	85,088	70,116	74,034	84,046
Total	479,167	481,554	363,804	929,504

The fair value of collateral is estimated based on the latest external valuations available, the realization experience of the current collateral and the market conditions.

(h) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. As of June 30, 2013, there were no renegotiated loans that would otherwise be past due or impaired for the Group and the Bank (2012: Nil, 2011: Nil, 2010: RMB770,000).

(i) Overdue Loans and advances by overdue and collateral type[(a)]

The Group and Bank

	As at December 31, 2010				
	Past due 1 to 90 days (inclusive)	Past due 90 days to 1 year (inclusive)	Past due 1 year to 3 years (inclusive)	Past due over 3 years	Total
Unsecured	1,546	834	3,550	54,241	60,171
Guaranteed	23,918	28,155	12,466	73,248	137,787
Collateralized	76,541	68,910	48,619	66,628	260,698
Pledged	1,182	25,102	9,238	17,713	53,235
	103,187	123,001	73,873	211,830	511,891

The Group and Bank

	As at December 31, 2011				
	Past due 1 to 90 days (inclusive)	Past due 90 days to 1 year (inclusive)	Past due 1 year to 3 years (inclusive)	Past due over 3 years	Total
Unsecured	1,917	253	447	30,886	33,503
Guaranteed	6,020	8,675	27,605	38,888	81,188
Collateralized	241,822	44,832	64,215	68,065	418,934
Pledged	—	—	—	18,966	18,966
	249,759	53,760	92,267	156,805	552,591

The Group and Bank

	As at December 31, 2012				
	Past due 1 to 90 days (inclusive)	Past due 90 days to 1 year (inclusive)	Past due 1 year to 3 years (inclusive)	Past due over 3 years	Total
Unsecured	147	12,318	1,591	13,882	27,938
Guaranteed	104,592	11,264	4,486	27,239	147,581
Collateralized	293,016	139,609	97,236	39,294	569,155
Pledged	71,723	94,844	—	8,873	175,440
	469,478	258,035	103,313	89,288	920,114

The Group and Bank

	As at June 30, 2013				
	Past due 1 to 90 days (inclusive)	Past due 90 days to 1 year (inclusive)	Past due 1 year to 3 years (inclusive)	Past due over 3 years	Total
Unsecured	200	—	292	3,725	4,217
Guaranteed	159,204	156,862	1,978	6,637	324,681
Collateralized	496,822	258,222	113,551	26,375	894,970
Pledged	7,000	210,875	—	1,731	219,606
	663,226	625,959	115,821	38,468	1,443,474

(a) The loan as a whole will be classified as past due if the principal scheduled to repay during a certain term past due for 1 day.

46.1.6 Debt securities

The table below presents an analysis of debt securities by external credit rating companies:

The Group and Bank

	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Total
As at December 31, 2010					
RMB securities					
AAA	99,063	1,433,889	1,414,675	—	2,947,627
AA- to AA+	1,630,386	2,353,602	869,946	—	4,853,934
A- to A+	212,964	91,623	20,085	—	324,672
Unrated[(a)]	775,485	16,971,972	10,885,972	6,888,458	35,521,887
Total	2,717,898	20,851,086	13,190,678	6,888,458	43,648,120

The Group and Bank

	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Total
As at December 31, 2011					
RMB securities					
AAA	199,641	1,711,098	1,265,550	—	3,176,289
AA- to AA+	1,381,232	4,906,271	1,211,471	—	7,498,974
A- to A+	885,891	441,372	—	—	1,327,263
Unrated[(a)]	2,569,043	11,279,179	18,127,527	3,815,116	35,790,865
Total	5,035,807	18,337,920	20,604,548	3,815,116	47,793,391

The Group and Bank

	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Total
As at December 31, 2012					
RMB securities					
AAA	250,927	1,803,261	1,067,322	—	3,121,510
AA- to AA+	1,534,934	7,208,576	1,899,350	—	10,642,860
A- to A+	144,423	354,319	—	—	498,742
Unrated[(a)]	1,668,550	16,198,066	23,096,054	1,814,189	42,776,859
Total	3,598,834	25,564,222	26,062,726	1,814,189	57,039,971

The Group and Bank

	Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Total
As at June 30, 2013					
RMB securities					
AAA	262,495	1,784,083	2,212,778	—	4,259,356
AA- to AA+	1,362,664	7,985,750	2,811,377	—	12,159,791
A- to A+	41,338	253,660	—	—	294,998
Unrated[(a)]	2,001,921	21,082,030	20,687,954	8,433,399	52,205,304
Total	3,668,418	31,105,523	25,712,109	8,433,399	68,919,449

(a) Debt securities (held-for-trading, available-for-sale and held-to-maturity) held by the Group mainly represent investments and trading securities issued by Ministry of Finance of the PRC ("MOF"), the PBOC and policy banks which are creditworthy issuers in the market, but are not rated by independent rating agencies as well as trust schemes and targeted asset management schemes of brokers. Loans and receivables mainly include the principal-guaranteed wealth management products issued by other banks.

There are no overdue or impaired debt securities as of the reporting periods stated above. No collateral is held by the Group, and no impairment provision has been provided against the gross amount.

46.1.7 Foreclosed collateral

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Property and land use rights	5,059	1,007	985	985
Others	133	—	—	96
Total	5,192	1,007	985	1,081

Foreclosed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Foreclosed property cannot be used for operating activities. Foreclosed property is classified in the balance sheet within other assets.

46.1.8 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The Group and Bank

	PRC mainland	Hong Kong	Others	Total
As at December 31, 2010				
Financial assets				
Balances with the central bank	33,860,147	—	—	33,860,147
Due from banks and other financial institutions	1,351,703	3,532	141,117	1,496,352
Placements with and loans to banks and other financial institutions	1,237,152	—	—	1,237,152
Financial assets held for trading	2,717,898	—	—	2,717,898
Financial assets held under resale agreements	10,542,884	—	—	10,542,884
Loans and advances to customers	114,058,443	—	—	114,058,443
Investment securities—loans and receivables	6,888,458	—	—	6,888,458
Investment securities—available-for-sale	20,851,086	—	—	20,851,086
Investment securities—held-to-maturity	13,190,678	—	—	13,190,678
Other financial assets	1,211,710	—	—	1,211,710
	205,910,159	3,532	141,117	206,054,808
Off-balance sheet assets				
Bank acceptance	27,467,421	—	—	27,467,421
Letter of credit	1,682,903	—	—	1,682,903
Letter of guarantee	1,656,332	—	—	1,656,332
Loan commitments	52,000	—	—	52,000
Unused credit card lines	515,590	—	—	515,590
	31,374,246	—	—	31,374,246

The Group and Bank

	PRC mainland	Hong Kong	Others	Total
As at December 31, 2011				
Financial assets				
Balances with the central bank	54,972,549	—	—	54,972,549
Due from banks and other financial institutions	6,917,199	6,712	152,297	7,076,208
Placements with and loans to banks and other financial institutions	3,581,172	—	—	3,581,172
Financial assets held for trading	5,035,807	—	—	5,035,807
Financial assets held under resale agreements	5,317,376	—	—	5,317,376
Loans and advances to customers	133,922,883	—	—	133,922,883
Investment securities—loans and receivables	3,815,116	—	—	3,815,116
Investment securities—available-for-sale	18,337,920	—	—	18,337,920
Investment securities—held-to-maturity	20,604,548	—	—	20,604,548
Other financial assets	1,097,233	—	—	1,097,233
	253,601,803	6,712	152,297	253,760,812
Off-balance sheet assets				
Bank acceptance	38,087,308	—	—	38,087,308
Letter of credit	3,053,143	—	—	3,053,143
Letter of guarantee	1,752,715	—	—	1,752,715
Loan commitments	298,000	—	—	298,000
Unused credit card lines	543,609	—	—	543,609
	43,734,775	—	—	43,734,775

The Group and Bank

	PRC mainland	Hong Kong	Others	Total
As at December 31, 2012				
Financial assets				
Balances with the central bank	56,675,560	—	—	56,675,560
Due from banks and other financial institutions	3,471,733	5,745	356,187	3,833,665
Placements with and loans to banks and other financial institutions	2,813,377	—	—	2,813,377
Financial assets held for trading	3,598,834	—	—	3,598,834
Financial assets held under resale agreements	38,198,123	—	—	38,198,123
Loans and advances to customers	159,941,475	—	—	159,941,475
Investment securities—loans and receivables	1,814,189	—	—	1,814,189
Investment securities—available-for-sale	25,564,222	—	—	25,564,222
Investment securities—held-to-maturity	26,062,726	—	—	26,062,726
Other financial assets	2,017,310	—	—	2,017,310
	320,157,549	5,745	356,187	320,519,481
Off-balance sheet assets				
Bank acceptance	46,602,041	—	—	46,602,041
Letter of credit	2,023,348	—	—	2,023,348
Letter of guarantee	1,674,944	—	—	1,674,944
Loan commitments	466,540	—	—	466,540
Unused credit card lines	1,708,977	—	—	1,708,977
	52,475,850	—	—	52,475,850

The Group

	PRC mainland	Hong Kong	Others	Total
As at June 30, 2013				
Financial assets				
Balances with the central bank	58,663,758	—	—	58,663,758
Due from banks and other financial institutions	3,728,037	67,095	372,208	4,167,340
Placements with and loans to banks and other financial institutions	892,597	—	—	892,597
Financial assets held for trading	3,668,418	—	—	3,668,418
Positive fair value of derivatives	210	—	—	210
Financial assets held under resale agreements	92,280,894	—	—	92,280,894
Loans and advances to customers	178,866,061	—	—	178,866,061
Investment securities—loans and receivables	8,433,399	—	—	8,433,399
Investment securities—available-for-sale	31,105,523	—	—	31,105,523
Investment securities—held-to-maturity	25,712,109	—	—	25,712,109
Other financial assets	1,991,532			1,991,532
	405,342,538	67,095	372,208	405,781,841
Off-balance sheet assets				
Bank acceptance	50,744,290	—	—	50,744,290
Letter of credit	3,335,708	—	—	3,335,708
Letter of guarantee	1,774,252	—	—	1,774,252
Loan commitments	405,400	—	—	405,400
Unused credit card lines	2,278,188	—	—	2,278,188
	58,537,838	—	—	58,537,838

The Bank

	PRC mainland	Hong Kong	Others	Total
As at June 30, 2013				
Financial assets				
Balances with the central bank	58,663,758	—	—	58,663,758
Due from banks and other financial institutions	3,728,037	67,095	372,208	4,167,340
Placements with and loans to banks and other financial institutions	892,597	—	—	892,597
Financial assets held for trading	3,668,418	—	—	3,668,418
Positive fair value of derivatives	210	—	—	210
Financial assets held under resale agreements	92,280,894	—	—	92,280,894
Loans and advances to customers	178,865,861	—	—	178,865,861
Investment securities—loans and receivables	8,433,399	—	—	8,433,399
Investment securities—available-for-sale	31,105,523	—	—	31,105,523
Investment securities—held-to-maturity	25,712,109	—	—	25,712,109
Other financial assets	1,991,532			1,991,532
	405,342,338	67,095	372,208	405,781,641
Off-balance sheet assets				
Bank acceptance	50,744,290	—	—	50,744,290
Letter of credit	3,335,708	—	—	3,335,708
Letter of guarantee	1,774,252	—	—	1,774,252
Loan commitments	405,400	—	—	405,400
Unused credit card lines	2,278,188	—	—	2,278,188
	58,537,838	—	—	58,537,838

The Group's and the Bank's counterparties are mainly located in PRC mainland.

46.2 Market risk

46.2.1 Overview

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It mainly represents volatility risk arising from interest rates, foreign exchange rates, stocks, commodities and their implied volatility.

The Groups' market risk mainly includes trading risks arising from trading portfolio and interest rate and foreign exchange rate risks for non-trading portfolio resulted from changes in interest rates, foreign exchange rates and term structures.

The market risks arising from trading and non-trading activities are concentrated in the Group's Risk Management Department. Market risks arising from non-trading activities at Bank level are monitored and controlled by Financial Planning Department while market risks resulted from trading activities at Bank level and non-trading activities of Financial Market Department are monitored and controlled by Financial Market Department. The Group also established daily, monthly and quarterly reporting mechanism in relation to market risk in which Financial Planning Department and Financial Market Department monitor and analyze market risk change and quota execution before reporting to Risk Management Department and Senior Management on a regular basis.

46.2.2 Market risk measurement techniques

The Group adopts sensitivity analysis to evaluate the exposure to interest rate and foreign exchange rate risks for its trading and non-trading investment portfolio, in which the Group calculates the gap between interest-bearing assets and liabilities which will mature within certain period or require re-pricing on a regular basis and performs sensitivity analysis under changes of bench mark rates, market rates and foreign exchange rates based on the gap computed above.

46.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The Group performs business in PRC mainland in accordance with interest rate system set by the PBOC. According to previous experience, the PBOC will adjust benchmark rates for interest bearing loans and deposits in the same direction but not in parallel.

According to PBOC's requirement, RMB loan rates could differ from PBOC's stipulated rates, whilst the floor for loan interest rates is 10% below the stipulated rates. Discount rate for RMB bills is market-oriented but cannot be lower than PBOC's stipulated rediscount rate. RMB deposit rate cannot exceed PBOC's benchmark rate. From July 6, 2012, the floor for RMB loan rate is 30% below the stipulated rate while the ceiling for RMB deposit rate is 10% above the stipulated rate.

The table below summarizes the Group's exposure to interest rate risks. It includes the Group's on-balance sheet assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

The Group and Bank

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
As at December 31, 2010							
Assets							
Cash and balances with the central bank	33,856,953	—	—	—	—	722,573	34,579,526
Due from banks and other financial institutions	1,496,352	—	—	—	—	—	1,496,352
Placements with and loans to banks and other financial institutions	547,453	244,649	445,050	—	—	—	1,237,152
Financial assets held for trading	30,913	811,243	459,041	985,433	431,268	—	2,717,898
Financial assets held under resale agreements	3,371,311	2,445,078	4,726,495	—	—	—	10,542,884
Loans and advances to customers	56,431,266	9,840,188	41,687,141	5,233,489	866,359	—	114,058,443
investment securities							
—Loans and receivables	300,043	297,471	6,063,778	227,166	—	—	6,888,458
—available-for-sale	371,821	2,493,422	5,113,382	8,981,312	3,891,149	14,544	20,865,630
—held-to-maturity	499,624	49,000	2,165,483	6,490,824	3,985,747	—	13,190,678
Other financial assets	—	401,502	—	—	—	810,208	1,211,710
Total assets	96,905,736	16,582,553	60,660,370	21,918,224	9,174,523	1,547,325	206,788,731
Liabilities							
Deposits from banks and other financial institutions	(1,819,206)	(50,000)	(5,853,236)	(2,100,000)	—	—	(9,822,442)
Placements from banks and other financial institutions	(643,840)	(373,600)	(245,700)	—	—	—	(1,263,140)
Financial assets sold under repurchase agreements	(11,871,042)	(4,457,900)	(4,469,027)	—	—	—	(20,797,969)
Deposits from customers	(113,975,759)	(14,600,297)	(28,143,370)	(2,862,574)	(6)	—	(159,582,006)
Other financial liabilities	—	—	—	—	—	(1,447,932)	(1,447,932)
Total liabilities	(128,309,847)	(19,481,797)	(38,711,333)	(4,962,574)	(6)	(1,447,932)	(192,913,489)
Total interest rate sensitivity gap	(31,404,111)	(2,899,244)	21,949,037	16,955,650	9,174,517	99,393	13,875,242

The Group and Bank

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
As at December 31, 2011							
Assets							
Cash and balances with the central bank	54,959,174	—	—	—	—	869,470	55,828,644
Due from banks and other financial institutions	5,323,058	1,303,180	449,970	—	—	—	7,076,208
Placements with and loans to banks and other financial institutions	1,564,611	301,617	1,714,944	—	—	—	3,581,172
Financial assets held for trading	244,805	881,953	815,907	2,350,361	742,781	—	5,035,807
Financial assets held under resale agreements	2,316,442	3,000,934	—	—	—	—	5,317,376
Loans and advances to customers	48,313,682	10,990,019	69,637,013	4,027,603	954,566	—	133,922,883
investment securities							
—Loans and receivables	—	3,091,887	552,254	170,975	—	—	3,815,116
—available-for-sale	1,257,134	2,177,075	3,592,733	8,042,070	3,268,908	18,983	18,356,903
—held-to-maturity	550,676	991,428	3,045,655	10,176,955	5,839,834	—	20,604,548
Other financial assets	—	—	—	—	—	1,097,233	1,097,233
Total assets	114,529,582	22,738,093	79,808,476	24,767,964	10,806,089	1,985,686	254,635,890
Liabilities							
Deposits from banks and other financial institutions	(2,183,855)	(2,570,000)	(4,569,631)	—	—	—	(9,323,486)
Placements from banks and other financial institutions	(2,369,588)	(664,934)	(500,000)	—	—	—	(3,534,522)
Financial assets sold under repurchase agreements	(15,885,517)	(15,829)	(283,450)	—	—	—	(16,184,796)
Deposits from customers	(136,645,157)	(16,868,455)	(38,862,103)	(11,203,989)	—	—	(203,579,704)
Debt securities in issue	—	—	—	—	(3,991,461)	—	(3,991,461)
Other financial liabilities	—	—	—	—	—	(1,615,080)	(1,615,080)
Total liabilities	(157,084,117)	(20,119,218)	(44,215,184)	(11,203,989)	(3,991,461)	(1,615,080)	(238,229,049)
Total interest rate sensitivity gap	(42,554,535)	2,618,875	35,593,292	13,563,975	6,814,628	370,606	16,406,841

The Group and Bank

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
As at December 31, 2012							
Assets							
Cash and balances with the central bank	56,675,560	—	—	—	—	973,723	57,649,283
Due from banks and other financial institutions	3,140,097	540,060	153,508	—	—	—	3,833,665
Placements with and loans to banks and other financial institutions	1,240,902	1,456,011	116,464	—	—	—	2,813,377
Financial assets held for trading	98,911	410,809	440,432	1,617,518	1,031,164	—	3,598,834
Financial assets held under resale agreements	2,824,895	14,097,089	21,276,139	—	—	—	38,198,123
Loans and advances to customers	52,704,958	15,791,263	85,818,880	4,328,260	1,298,114	—	159,941,475
investment securities							
—Loans and receivables	—	89,930	1,636,377	87,882	—	—	1,814,189
—available-for-sale	1,663,122	4,517,150	6,482,264	8,997,831	3,903,855	16,383	25,580,605
—held-to-maturity	521,661	933,385	7,833,578	8,844,991	7,929,111	—	26,062,726
Other financial assets	—	—	—	—	—	2,017,310	2,017,310
Total assets	118,870,106	37,835,697	123,757,642	23,876,482	14,162,244	3,007,416	321,509,587
Liabilities							
Deposits from banks and other financial institutions	(2,716,110)	(725,794)	(278,148)	(2,172,591)	(72,607)	—	(5,965,250)
Placements from banks and other financial institutions	(748,200)	—	(150,000)	—	—	—	(898,200)
Financial assets sold under repurchase agreements	(17,137,597)	(14,977,688)	(15,768,181)	—	—	—	(47,883,466)
Deposits from customers	(148,775,136)	(23,756,344)	(47,317,151)	(18,894,492)	(800,000)	—	(239,543,123)
Debt securities in issue	—	—	—	—	(3,991,828)	—	(3,991,828)
Other financial liabilities	—	—	—	—	—	(3,702,943)	(3,702,943)
Total liabilities	(169,377,043)	(39,459,826)	(63,513,480)	(21,067,083)	(4,864,435)	(3,702,943)	(301,984,810)
Total interest rate sensitivity gap	(50,506,937)	(1,624,129)	60,244,162	2,809,399	9,297,809	(695,527)	19,524,777

The Group

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
As at June 30, 2013							
Assets							
Cash and balances with the central bank	58,635,538	—	—	—	—	1,014,730	59,650,268
Due from banks and other financial institutions	2,253,152	854,070	1,060,118	—	—	—	4,167,340
Placements with and loans to banks and other financial institutions	7,727	231,917	652,953	—	—	—	892,597
Financial assets held for trading	89,215	316,314	567,490	1,657,813	1,037,586	—	3,668,418
Derivatives financial assets	—	—	—	—	—	210	210
Financial assets held under resale agreements	8,891,796	38,954,063	44,435,035	—	—	—	92,280,894
Loans and advances to customers	52,462,443	18,670,240	101,570,073	5,478,105	685,200	—	178,866,061
investment securities							
—Loans and receivables	3,068,045	1,042,175	4,271,200	51,979	—	—	8,433,399
—available-for-sale	4,258,623	4,837,320	5,230,808	11,838,425	4,940,347	16,383	31,121,906
—held-to-maturity	1,892,410	1,298,916	3,488,923	9,811,983	9,219,877	—	25,712,109
Other financial assets	—	—	—	—	—	1,991,532	1,991,532
Total assets	131,558,949	66,205,015	161,276,600	28,838,305	15,883,010	3,022,855	406,784,734
Liabilities							
Deposits from banks and other financial institutions	(2,630,338)	(1,970,000)	(9,100,000)	(6,000,000)	—	—	(19,700,338)
Placements from banks and other financial institutions	(628,683)	(274,232)	—	—	—	—	(902,915)
Derivatives financial liabilities	—	—	—	—	—	(91)	(91)
Financial assets sold under repurchase agreements	(24,375,062)	(40,954,883)	(35,340,160)	—	—	—	(100,670,105)
Deposits from customers	(150,664,179)	(23,516,988)	(48,972,832)	(27,382,412)	(1,600,896)	—	(252,137,307)
Debt securities in issue	—	—	—	(4,993,225)	(3,992,018)	—	(8,985,243)
Other financial liabilities	—	—	—	—	—	(3,572,425)	(3,572,425)
Total liabilities	(178,298,262)	(66,716,103)	(93,412,992)	(38,375,637)	(5,592,914)	(3,572,516)	(385,968,424)
Total interest rate sensitivity gap	(46,739,313)	(511,088)	67,863,608	(9,537,332)	10,290,096	(549,661)	20,816,310

The Bank

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
As at June 30, 2013							
Assets							
Cash and balances with the central bank	58,635,538	—	—	—	—	1,012,933	59,648,471
Due from banks and other financial institutions	2,253,152	854,070	1,060,118	—	—	—	4,167,340
Placements with and loans to banks and other financial institutions	7,727	231,917	652,953	—	—	—	892,597
Financial assets held for trading	89,215	316,314	567,490	1,657,813	1,037,586	—	3,668,418
Derivatives financial assets	—	—	—	—	—	210	210
Financial assets held under resale agreements	8,891,796	38,954,063	44,435,035	—	—	—	92,280,894
Loans and advances to customers	52,462,443	18,670,240	101,569,873	5,478,105	685,200	—	178,865,861
investment securities							
—Loans and receivables	3,068,045	1,042,175	4,271,200	51,979	—	—	8,433,399
—available-for-sale	4,258,623	4,837,320	5,230,808	11,838,425	4,940,347	16,383	31,121,906
—held-to-maturity	1,892,410	1,298,916	3,488,923	9,811,983	9,219,877	—	25,712,109
Other financial assets	—	—	—	—	—	1,991,532	1,991,532
Total assets	131,558,949	66,205,015	161,276,400	28,838,305	15,883,010	3,021,058	406,782,737
Liabilities							
Deposits from banks and other financial institutions	(2,649,440)	(2,040,000)	(9,100,000)	(6,000,000)	—	—	(19,789,440)
Placements from banks and other financial institutions	(628,683)	(274,232)	—	—	—	—	(902,915)
Derivatives financial liabilities	—	—	—	—	—	(91)	(91)
Financial assets sold under repurchase agreements	(24,375,062)	(40,954,883)	(35,340,160)	—	—	—	(100,670,105)
Deposits from customers	(150,653,092)	(23,516,988)	(48,972,832)	(27,382,412)	(1,600,896)	—	(252,126,220)
Debt securities in issue	—	—	—	(4,993,225)	(3,992,018)	—	(8,985,243)
Other financial liabilities	—	—	—	—	—	(3,572,424)	(3,572,424)
Total liabilities	(178,306,277)	(66,786,103)	(93,412,992)	(38,375,637)	(5,592,914)	(3,572,515)	(386,046,438)
Total interest rate sensitivity gap	(46,747,328)	(581,088)	67,863,408	(9,537,332)	10,290,096	(551,457)	20,736,299

The Group mainly narrows its interest rate sensitivity gap between assets and liabilities through shorter durations for investments and loan price reset.

The currency for the Group's majority of interest-bearing assets is RMB. The potential impact on net interest income as at the balance sheet dates stated below with 100 bps changes along the yield curve is as follows:

The Group

	Estimated changes in net interest income			
	As at December 31,			As at June 30,
	2010	2011	2012	2013
100 bps up along the yield curve	713,094	864,491	964,629	1,012,206
100 bps down along the yield curve	(713,094)	(864,491)	(964,629)	(1,012,206)

The Bank

	Estimated changes in net interest income			
	As at December 31,			As at June 30,
	2010	2011	2012	2013
100 bps up along the yield curve	713,094	864,491	964,629	1,011,472
100 bps down along the yield curve	(713,094)	(864,491)	(964,629)	(1,011,472)

During the sensitivity analysis, the Group adopts the following assumptions when determining business conditions and financial index:

- The fluctuation rates of different interest-bearing assets and liabilities are the same;
- Demand deposits will not be re-priced;
- All re-pricing assets and liabilities are re-priced in the middle of relevant periods;
- Analysis is based on static gap on balance sheet date, regardless of subsequent changes;
- Regardless of impact on the customer's behavior resulted from interest rate changes;
- Regardless of impact on market price resulted from interest rate changes;
- Regardless of actions taken by the Group and the Bank.

Therefore, the actual changes of net profit may differ from the analysis above.

46.2.4 Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The major principle for control over currency risk of the Group is to match assets and liabilities in different currencies and to keep currency risk within limits. Based on the guidelines provided by Risk Management Committee, laws and regulations as well as evaluation on the current market, the Group sets its risk limits and minimize the possibility of mismatch through more reasonable allocation of foreign currency source and deployment. Authorization management of foreign currency exposure is categorized by business type and traders' limits of authority.

The table below summarizes the Group's exposure to foreign currency exchange rate risk at balance sheet date. Included in the table are the Group's assets and liabilities at carrying amounts in RMB, categorized by the original currency:

The Group and Bank

	RMB	USD	EUR	Others	Total
As at December 31, 2010					
Assets					
Cash and balances with the central bank	34,566,800	12,180	109	437	34,579,526
Due from banks and other financial institutions	1,040,768	407,968	34,899	12,717	1,496,352
Placements with and loans to banks and other financial institutions	1,237,152	—	—	—	1,237,152
Financial assets held for trading	2,717,898	—	—	—	2,717,898
Financial assets held under resale agreements	10,542,884	—	—	—	10,542,884
Loans and advances to customers	113,828,647	212,844	7,238	9,714	114,058,443
investment securities					
—Loans and receivables	6,888,458	—	—	—	6,888,458
—available-for-sale	20,865,630	—	—	—	20,865,630
—held-to-maturity	13,190,678	—	—	—	13,190,678
Other financial assets	810,067	390,135	2	11,506	1,211,710
Total assets	205,688,982	1,023,127	42,248	34,374	206,788,731
Liabilities					
Deposits from banks and other financial institutions	(9,822,442)	—	—	—	(9,822,442)
Placements from banks and other financial institutions	(828,320)	(434,820)	—	—	(1,263,140)
Financial assets sold under repurchase agreements	(20,797,969)	—	—	—	(20,797,969)
Deposits from customers	(159,258,300)	(268,879)	(34,072)	(20,755)	(159,582,006)
Other financial liabilities	(1,447,617)	(206)	(103)	(6)	(1,447,932)
Total liabilities	(192,154,648)	(703,905)	(34,175)	(20,761)	(192,913,489)
Net on-balance sheet financial position	13,534,334	319,222	8,073	13,613	13,875,242
Financial guarantees and credit commitments	29,624,737	1,379,489	41,497	328,523	31,374,246

The Group and Bank

	RMB	USD	EUR	Others	Total
As at December 31, 2011					
Assets					
Cash and balances with the central bank	55,816,847	11,259	76	462	55,828,644
Due from banks and other financial institutions	6,632,536	351,458	78,305	13,909	7,076,208
Placements with and loans to banks and other financial institutions	3,581,172	—	—	—	3,581,172
Financial assets held for trading	5,035,807	—	—	—	5,035,807
Financial assets held under resale agreements	5,317,376	—	—	—	5,317,376
Loans and advances to customers	133,133,762	739,815	8,008	41,298	133,922,883
investment securities					
—Loans and receivables	3,815,116	—	—	—	3,815,116
—available-for-sale	18,356,903	—	—	—	18,356,903
—held-to-maturity	20,604,548	—	—	—	20,604,548
Other financial assets	1,097,215	13	3	2	1,097,233
Total assets	253,391,282	1,102,545	86,392	55,671	254,635,890
Liabilities					
Deposits from banks and other financial institutions	(9,323,486)	—	—	—	(9,323,486)
Placements from banks and other financial institutions	(3,361,082)	(135,765)	—	(37,675)	(3,534,522)
Financial assets sold under repurchase agreements	(16,184,796)	—	—	—	(16,184,796)
Deposits from customers	(202,986,421)	(565,697)	(15,148)	(12,438)	(203,579,704)
Debt securities in issue	(3,991,461)	—	—	—	(3,991,461)
Other financial liabilities	(1,604,524)	(10,529)	(17)	(10)	(1,615,080)
Total liabilities	(237,451,770)	(711,991)	(15,165)	(50,123)	(238,229,049)
Net on-balance sheet financial position	15,939,512	390,554	71,227	5,548	16,406,841
Financial guarantees and credit commitments	40,557,283	2,764,708	340,230	72,554	43,734,775

The Group and Bank

	RMB	USD	EUR	Others	Total
As at December 31, 2012					
Assets					
Cash and balances with the central bank	57,566,091	82,693	47	452	57,649,283
Due from banks and other financial institutions	3,295,530	227,812	207,924	102,399	3,833,665
Placements with and loans to banks and other financial institutions	2,813,377	—	—	—	2,813,377
Financial assets held for trading	3,598,834	—	—	—	3,598,834
Financial assets held under resale agreements	38,198,123	—	—	—	38,198,123
Loans and advances to customers	158,098,655	1,837,747	5,073	—	159,941,475
investment securities					
—Loans and receivables	1,814,189	—	—	—	1,814,189
—available-for-sale	25,580,605	—	—	—	25,580,605
—held-to-maturity	26,062,726	—	—	—	26,062,726
Other financial assets	2,015,784	1,030	496	—	2,017,310
Total assets	319,043,914	2,149,282	213,540	102,851	321,509,587
Liabilities					
Deposits from banks and other financial institutions	(5,613,339)	(188,565)	(163,346)	—	(5,965,250)
Placements from banks and other financial institutions	(457,200)	(441,000)	—	—	(898,200)
Financial assets sold under repurchase agreements	(47,883,466)	—	—	—	(47,883,466)
Deposits from customers	(238,333,585)	(998,079)	(47,602)	(163,857)	(239,543,123)
Debt securities in issue	(3,991,828)	—	—	—	(3,991,828)
Other financial liabilities	(3,701,165)	(1,516)	(253)	(9)	(3,702,943)
Total liabilities	(299,980,583)	(1,629,160)	(211,201)	(163,866)	(301,984,810)
Net on-balance sheet financial position	19,063,331	520,122	2,339	(61,015)	19,524,777
Financial guarantees and credit commitments	50,467,418	1,284,867	597,494	126,071	52,475,850

The Group

	RMB	USD	EUR	Others	Total
As at June 30, 2013					
Assets					
Cash and balances with the central bank	59,623,864	26,279	61	64	59,650,268
Due from banks and other financial institutions	3,575,149	427,943	144,360	19,888	4,167,340
Placements with and loans to banks and other financial institutions	768,365	124,232	—	—	892,597
Financial assets held for trading	3,668,418	—	—	—	3,668,418
Derivative financial assets	30	179	1	—	210
Financial assets held under resale agreements	92,280,894	—	—	—	92,280,894
Loans and advances to customers	177,428,691	1,416,794	11,719	8,857	178,866,061
investment securities					
—Loans and receivables	8,433,399	—	—	—	8,433,399
—available-for-sale	31,121,906	—	—	—	31,121,906
—held-to-maturity	25,712,109	—	—	—	25,712,109
Other financial assets	1,990,978	476	—	78	1,991,532
Total assets	404,603,803	1,995,903	156,141	28,887	406,784,734
Liabilities					
Deposits from banks and other financial institutions	(19,700,338)	—	—	—	(19,700,338)
Placements from banks and other financial institutions	(157,200)	(745,715)	—	—	(902,915)
Derivative financial liabilities	(84)	(7)	—	—	(91)
Financial assets sold under repurchase agreements	(100,670,105)	—	—	—	(100,670,105)
Deposits from customers	(251,536,457)	(583,259)	(2,235)	(15,356)	(252,137,307)
Debt securities in issue	(8,985,243)	—	—	—	(8,985,243)
Other financial liabilities	(3,567,290)	(5,062)	(48)	(25)	(3,572,425)
Total liabilities	(384,616,717)	(1,334,043)	(2,283)	(15,381)	(385,968,424)
Net on-balance sheet financial position	19,987,086	661,860	153,858	13,506	20,816,310
Financial guarantees and credit commitments	56,338,484	2,021,759	97,312	80,283	58,537,838

The Bank

	RMB	USD	EUR	Others	Total
As at June 30, 2013					
Assets					
Cash and balances with the central bank	59,622,067	26,279	61	64	59,648,471
Due from banks and other financial institutions	3,575,149	427,943	144,360	19,888	4,167,340
Placements with and loans to banks and other financial institutions	768,365	124,232	—	—	892,597
Financial assets held for trading	3,668,418	—	—	—	3,668,418
Derivative financial assets	30	179	1	—	210
Financial assets held under resale agreements	92,280,894	—	—	—	92,280,894
Loans and advances to customers	177,428,491	1,416,794	11,719	8,857	178,865,861
investment securities					
—Loans and receivables	8,433,399	—	—	—	8,433,399
—available-for-sale	31,121,906	—	—	—	31,121,906
—held-to-maturity	25,712,109	—	—	—	25,712,109
Other financial assets	1,990,978	476	—	78	1,991,532
Total assets	404,601,806	1,995,903	156,141	28,887	406,782,737
Liabilities					
Deposits from banks and other financial institutions	(19,789,440)	—	—	—	(19,789,440)
Placements from banks and other financial institutions	(157,200)	(745,715)	—	—	(902,915)
Derivative financial liabilities	(84)	(7)	—	—	(91)
Financial assets sold under repurchase agreements	(100,670,105)	—	—	—	(100,670,105)
Deposits from customers	(251,525,370)	(583,259)	(2,235)	(15,356)	(252,126,220)
Debt securities in issue	(8,985,243)	—	—	—	(8,985,243)
Other financial liabilities	(3,567,289)	(5,062)	(48)	(25)	(3,572,424)
Total liabilities	(384,694,731)	(1,334,043)	(2,283)	(15,381)	(386,046,438)
Net on-balance sheet financial position	19,907,075	661,860	153,858	13,506	20,736,299
Financial guarantees and credit commitments	56,338,484	2,021,759	97,312	80,283	58,537,838

The Group's foreign currency exposure is not material. The major foreign currency exposure is with USD and EUR. The potential impact on net profits resulted from foreign currency translation gain or loss with 1% fluctuation of foreign currency against RMB is as follows:

The Group and Bank

	Estimated change in net profits/(losses)			
	As at December 31,			As at June 30,
	2010	2011	2012	2013
1% of appreciation of FX against RMB	2,557	3,505	3,461	6,219
1% of depreciation of FX against RMB	(2,557)	(3,505)	(3,461)	(6,219)

During the sensitivity analysis, the Group adopts the following assumptions when determining business conditions and financial index, regardless of:

- Analysis is based on static gap on balance sheet date, regardless of subsequent changes;
- Regardless of impact on the customer's behavior resulted from interest rate changes;
- Regardless of impact on market price resulted from interest rate changes;
- Regardless of actions taken by the Group and the Bank.

Therefore, the actual changes of net profit may differ from the analysis above.

46.3 Liquidity risk

46.3.1 Overview

Keep a match between the maturity dates of assets and liabilities and maintain an effective control over mismatch is of great importance to the Group. Due to the uncertainty of terms and types of business, it is difficult for banks to keep a perfect match. Unmatched position may increase revenues but it also exposes the Group to greater risks of losses.

The match between maturity dates of assets and liabilities as well as a banks' ability to replace due liabilities with acceptable costs are all key factors when evaluating its' exposure to liquidity, interest rate and foreign exchange rate risks.

The Group is exposed to daily calls on its available cash resources from overnight deposits, demand accounts, time deposits fall due, debt securities payable, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. According to previous experience, a large portion of matured deposits are not withdrawn on the maturity date. The Group sets limits on the minimum proportion of funds to be made available to cover different levels of unexpected withdrawals.

46.3.2 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flow, and the Group manages the liquidity risk based on the estimation of future cash flow.

The Group and Bank

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As at December 31, 2010						
Liabilities						
Deposits from banks and other financial institutions	(1,819,206)	(119,416)	(5,957,822)	(2,122,693)	—	(10,019,137)
Placements from banks and other financial institutions	(674,822)	(292,525)	(273,972)	(378,655)	—	(1,619,974)
Financial assets sold under repurchase agreements	(11,884,267)	(4,500,775)	(4,528,905)	—	—	(20,913,947)
Deposits from customers	(113,982,963)	(14,855,460)	(28,434,000)	(3,018,407)	(6)	(160,290,836)
Other financial liabilities	—	—	(815,282)	—	—	(815,282)
Total liabilities(contractual maturity)	(128,361,258)	(19,768,176)	(40,009,981)	(5,519,755)	(6)	(193,659,176)
Assets						
Cash and balances with the central bank	34,591,719	—	—	—	—	34,591,719
Due from banks and other financial institutions	1,497,346	—	—	—	—	1,497,346
Placements with and loans to banks and other financial institutions	548,788	246,644	453,725	—	—	1,249,157
Financial assets held for trading	31,957	144,903	516,752	2,103,194	520,622	3,317,428
Financial assets held under resale agreements	3,376,789	2,465,077	4,796,805	—	—	10,638,671
Loans and advances to customers	7,756,085	11,944,931	51,538,815	42,655,124	23,033,825	136,928,780
Investment securities						
—Loans and receivables	300,164	343,773	6,215,566	299,599	—	7,159,102
—Available-for-sale	282,709	1,350,299	3,623,841	12,397,329	6,339,196	23,993,374
—Held-to-maturity	29,236	64,391	1,342,078	8,537,236	5,785,828	15,758,769
Other financial assets	—	—	401,502	14,121	—	415,623
Financial assets held for managing liquidity risk (contractual maturity)	48,414,793	16,560,018	68,889,084	66,006,603	35,679,471	235,549,969
Net liquidity	(79,946,465)	(3,208,158)	28,879,103	60,486,848	35,679,465	41,890,793

The Group and Bank

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As at December 31, 2011						
Liabilities						
Deposits from banks and other financial institutions	(2,214,593)	(2,702,290)	(4,708,424)	—	—	(9,625,307)
Placements from banks and other financial institutions	(2,369,862)	(665,417)	(500,000)	—	—	(3,535,279)
Financial assets sold under repurchase agreements	(15,906,232)	(15,898)	(285,728)	—	—	(16,207,858)
Deposits from customers	(136,653,187)	(16,965,064)	(39,524,808)	(12,792,541)	—	(205,935,600)
Debt securities in issue	—	—	(262,000)	(1,048,000)	(5,310,000)	(6,620,000)
Other financial liabilities	—	—	(337,334)	—	—	(337,334)
Total liabilities(contractual maturity)	(157,143,874)	(20,348,669)	(45,618,294)	(13,840,541)	(5,310,000)	(242,261,378)
Assets						
Cash and balances with the central bank	55,828,644	—	—	—	—	55,828,644
Due from banks and other financial institutions	5,358,308	1,313,280	453,457	—	—	7,125,045
Placements with and loans to banks and other financial institutions	1,571,186	306,086	1,784,034	—	—	3,661,306
Financial assets held for trading	83,719	163,082	970,950	3,591,490	1,122,684	5,931,925
Financial assets held under resale agreements	2,319,197	3,021,901	—	—	—	5,341,098
Loans and advances to customers	8,729,152	14,629,871	64,701,551	38,608,604	30,302,615	156,971,793
Investment securities						
—Loans and receivables	—	3,194,674	602,246	215,529	—	4,012,449
—Available-for-sale	924,216	1,105,158	2,628,151	11,348,451	5,267,513	21,273,489
—Held-to-maturity	103,457	532,079	2,412,218	13,097,742	7,914,399	24,059,895
Other financial assets	53,254	—	—	—	—	53,254
Financial assets held for managing liquidity risk (contractual maturity)	74,971,133	24,266,131	73,552,607	66,861,816	44,607,211	284,258,898
Net liquidity	(82,172,741)	3,917,462	27,934,313	53,021,275	39,297,211	41,997,520

The Group and Bank

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As at December 31, 2012						
Liabilities						
Deposits from banks and other financial institutions	(416,987)	(3,084,875)	(384,527)	(2,231,439)	(77,281)	(6,195,109)
Placements from banks and other financial institutions	(748,542)	—	(159,125)	—	—	(907,667)
Financial assets sold under repurchase agreements	(17,161,309)	(15,092,228)	(16,012,593)	—	—	(48,266,130)
Deposits from customers	(134,855,643)	(38,297,119)	(48,686,164)	(21,961,684)	(800,000)	(244,600,610)
Debt securities in issue	—	—	(262,000)	(1,048,000)	(5,048,000)	(6,358,000)
Other financial liabilities	(1,765,408)	—	—	—	—	(1,765,408)
Total liabilities(contractual maturity)	(154,947,889)	(56,474,222)	(65,504,409)	(25,241,123)	(5,925,281)	(308,092,924)
Assets						
Cash and balances with the central bank	57,649,283	—	—	—	—	57,649,283
Due from banks and other financial institutions	1,993,405	1,699,115	157,112	—	—	3,849,632
Placements with and loans to banks and other financial institutions	1,242,516	1,465,870	119,155	—	—	2,827,541
Financial assets held for trading	36,670	165,028	472,324	2,441,604	1,207,041	4,322,667
Financial assets held under resale agreements	2,828,144	14,209,689	21,620,831	—	—	38,658,664
Loans and advances to customers	10,414,841	19,580,790	75,675,495	47,320,787	34,885,191	187,877,104
investment securities						
—Loans and receivables	—	93,623	1,694,725	119,941	—	1,908,289
—Available-for-sale	1,422,632	2,478,253	4,381,657	14,224,778	7,242,199	29,749,519
—Held-to-maturity	52,943	465,474	6,415,833	14,435,356	9,277,541	30,647,147
Other financial assets	659,506	—	—	—	—	659,506
Financial assets held for managing liquidity risk (contractual maturity)	76,299,940	40,157,842	110,537,132	78,542,466	52,611,972	358,149,352
Net liquidity	(78,647,949)	(16,316,380)	45,032,723	53,301,343	46,686,691	50,056,428

The Group

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As at June 30, 2013						
Liabilities						
Deposits from banks and other financial institutions	(2,633,954)	(2,008,930)	(9,283,051)	(6,781,150)	—	(20,707,085)
Placements from banks and other financial institutions	(628,973)	(283,714)	—	—	—	(912,687)
Financial assets sold under repurchase agreements	(24,418,238)	(41,316,216)	(35,846,228)	—	—	(101,580,682)
Deposits from customers	(150,683,309)	(23,642,798)	(49,862,600)	(32,052,398)	(2,071,398)	(258,312,503)
Debt securities in issue	—	—	(481,400)	(6,684,800)	(4,786,000)	(11,952,200)
Other financial liabilities	(1,317,218)	—	—	—	—	(1,317,218)
Total liabilities(contractual maturity)	(179,681,692)	(67,251,658)	(95,473,279)	(45,518,348)	(6,857,398)	(394,782,375)
Assets						
Cash and balances with the central bank	59,650,268	—	—	—	—	59,650,268
Due from banks and other financial institutions	2,255,515	862,162	1,079,076	—	—	4,196,753
Placements with and loans to banks and other financial institutions	7,727	232,605	667,518	—	—	907,850
Financial assets held for trading	40,265	127,887	307,307	2,686,801	1,181,681	4,343,941
Financial assets held under resale agreements	8,903,865	39,249,540	45,093,882	—	—	93,247,287
Loans and advances to customers	7,406,683	22,319,909	86,419,283	53,599,741	40,959,319	210,704,935
investment securities						
—Loans and receivables	3,075,470	1,068,956	4,328,974	58,360	—	8,531,760
—Available-for-sale	3,254,435	3,457,895	2,417,703	17,525,494	9,379,876	36,035,403
—Held-to-maturity	1,463,429	761,665	2,345,333	15,638,144	10,464,023	30,672,594
Other financial assets	508,001	—	—	—	—	508,001
Financial assets held for managing liquidity risk (contractual maturity)	86,565,658	68,080,619	142,659,076	89,508,540	61,984,899	448,798,792
Net liquidity	(93,116,034)	828,961	47,185,797	43,990,192	55,127,501	54,016,417

The Bank

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As at June 30, 2013						
Liabilities						
Deposits from banks and other financial institutions	(2,653,056)	(2,078,930)	(9,283,051)	(6,781,150)	—	(20,796,187)
Placements from banks and other financial institutions	(628,973)	(283,714)	—	—	—	(912,687)
Financial assets sold under repurchase agreements	(24,418,238)	(41,316,216)	(35,846,228)	—	—	(101,580,682)
Deposits from customers	(150,672,222)	(23,642,798)	(49,862,600)	(32,052,398)	(2,071,398)	(258,301,416)
Debt securities in issue	—	—	(481,400)	(6,684,800)	(4,786,000)	(11,952,200)
Other financial liabilities	(1,317,218)	—	—	—	—	(1,317,218)
Total liabilities(contractual maturity)	(179,689,707)	(67,321,658)	(95,473,279)	(45,518,348)	(6,857,398)	(394,860,390)
Assets						
Cash and balances with the central bank	59,648,471	—	—	—	—	59,648,471
Due from banks and other financial institutions	2,255,515	862,162	1,079,076	—	—	4,196,753
Placements with and loans to banks and other financial institutions	7,727	232,605	667,518	—	—	907,850
Financial assets held for trading	40,265	127,887	307,307	2,686,801	1,181,681	4,343,941
Financial assets held under resale agreements	8,903,865	39,249,540	45,093,882	—	—	93,247,287
Loans and advances to customers	7,406,683	22,319,909	86,419,083	53,599,741	40,959,319	210,704,735
investment securities						
—Loans and receivables	3,075,470	1,068,956	4,328,974	58,360	—	8,531,760
—Available-for-sale	3,254,435	3,457,895	2,417,703	17,525,494	9,379,876	36,035,403
—Held-to-maturity	1,463,429	761,665	2,345,333	15,638,144	10,464,023	30,672,594
Other financial assets	508,001	—	—	—	—	508,001
Financial assets held for managing liquidity risk (contractual maturity)	86,563,861	68,080,619	142,658,876	89,508,540	61,984,899	448,796,795
Net liquidity	(93,125,846)	758,961	47,185,597	43,990,192	55,127,501	53,936,405

46.3.3 Derivative financial instruments cash flow

Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include foreign exchange forward contracts. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group and Bank

	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
As at June 30, 2013						
Foreign exchange derivatives						
—Outflow	(37,608)	(59,164)	(223,589)	—	—	(320,361)
—Inflow	37,620	59,187	223,675	—	—	320,482
	12	23	86	—	—	121

46.3.4 Maturity analysis

The table below analyzes the Group's net assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

The Group and Bank

	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Indefinite	Total
As at December 31, 2010									
Cash and balances with the central bank	11,179,873	23,399,653	—	—	—	—	—	—	34,579,526
Due from banks and other financial institutions	1,481,049	15,303	—	—	—	—	—	—	1,496,352
Placements with and loans to banks and other financial institutions	—	547,453	244,649	445,050	—	—	—	—	1,237,152
Financial assets held for trading	—	30,913	99,788	449,128	1,706,801	431,268	—	—	2,717,898
Financial assets held under resale agreements	—	3,371,311	2,445,078	4,726,495	—	—	—	—	10,542,884
Loans and advances to customers	—	7,070,995	10,846,386	48,740,422	30,299,818	16,986,772	114,050	—	114,058,443
investment securities									
—Loans and receivables	—	300,043	297,471	6,063,778	227,166	—	—	—	6,888,458
—Available-for-sale	—	251,686	1,246,935	3,049,552	10,530,432	5,772,481	—	14,544	20,865,630
—Held-to-maturity	—	—	—	994,865	7,229,819	4,965,994	—	—	13,190,678
Other assets (including deferred income tax assets)	417,215	269,556	166,974	350,026	10,464	—	—	2,184,892	3,399,127
Total assets	13,078,137	35,256,913	15,347,281	64,819,316	50,004,500	28,156,515	114,050	2,199,436	208,976,148
Deposits from banks and other financial institutions	(1,819,038)	(168)	(50,000)	(5,853,236)	(2,100,000)	—	—	—	(9,822,442)
Placements from banks and other financial institutions	—	(643,840)	(373,600)	(245,700)	—	—	—	—	(1,263,140)
Financial assets sold under repurchase agreements	—	(11,871,042)	(4,457,900)	(4,469,027)	—	—	—	—	(20,797,969)
Deposits from customers	(103,385,090)	(10,240,320)	(14,511,348)	(28,433,924)	(3,011,318)	(6)	—	—	(159,582,006)
Other liabilities (including deferred income tax liabilities)	(738,985)	(884,355)	(140,962)	(580,493)	(769,710)	(4,827)	—	(33,966)	(3,153,298)
Total liabilities	(105,943,113)	(23,639,725)	(19,533,810)	(39,582,380)	(5,881,028)	(4,833)	—	(33,966)	(194,618,855)
Net liquidity gap	(92,864,976)	11,617,188	(4,186,529)	25,236,936	44,123,472	28,151,682	114,050	2,165,470	14,357,293

The Group and Bank

	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Indefinite	Total
As at December 31, 2011									
Cash and balances with the central bank	22,207,816	33,620,828	—	—	—	—	—	—	55,828,644
Due from banks and other financial institutions	1,863,574	3,459,484	1,303,180	449,970	—	—	—	—	7,076,208
Placements with and loans to banks and other financial institutions	—	1,564,611	301,617	1,714,944	—	—	—	—	3,581,172
Financial assets held for trading	—	76,482	113,409	805,983	3,055,133	984,800	—	—	5,035,807
Financial assets held under resale agreements	—	2,316,442	3,000,934	—	—	—	—	—	5,317,376
Loans and advances to customers	—	8,349,732	12,303,552	58,384,894	25,027,364	29,789,778	67,563	—	133,922,883
investment securities									
—Loans and receivables	—	—	3,091,887	552,254	170,975	—	—	—	3,815,116
—Available-for-sale	—	887,868	988,411	2,076,412	9,555,028	4,830,201	—	18,983	18,356,903
—Held-to-maturity	—	50,000	428,564	1,952,336	11,230,947	6,942,701	—	—	20,604,548
Other assets (including deferred income tax assets)	38,497	389,131	227,086	405,245	51,075	—	—	2,331,865	3,442,899
Total assets	24,109,887	50,714,578	21,758,640	66,342,038	49,090,522	42,547,480	67,563	2,350,848	256,981,556
Deposits from banks and other financial institutions	(374,810)	(1,809,045)	(2,570,000)	(4,569,631)	—	—	—	—	(9,323,486)
Placements from banks and other financial institutions	—	(2,369,588)	(664,934)	(500,000)	—	—	—	—	(3,534,522)
Financial assets sold under repurchase agreements	—	(15,885,517)	(15,829)	(283,450)	—	—	—	—	(16,184,796)
Deposits from customers	(122,230,721)	(12,827,262)	(16,737,572)	(39,360,572)	(12,423,577)	—	—	—	(203,579,704)
Debt securities in issue	—	—	—	—	—	(3,991,461)	—	—	(3,991,461)
Other liabilities (including deferred income tax liabilities)	(310,207)	(679,861)	(228,195)	(1,033,991)	(999,993)	(1)	—	(31,813)	(3,284,061)
Total liabilities	(122,915,738)	(33,571,273)	(20,216,530)	(45,747,644)	(13,423,570)	(3,991,462)	—	(31,813)	(239,898,030)
Net liquidity gap	(98,805,851)	17,143,305	1,542,110	20,594,394	35,666,952	38,556,018	67,563	2,319,035	17,083,526

The Group and Bank

	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Indefinite	Total
As at December 31, 2012									
Cash and balances with the central bank	16,737,893	40,911,390	—	—	—	—	—	—	57,649,283
Due from banks and other financial institutions	1,282,308	710,047	1,690,641	150,669	—	—	—	—	3,833,665
Placements with and loans to banks and other financial institutions	—	1,240,902	1,456,011	116,464	—	—	—	—	2,813,377
Financial assets held for trading	—	30,774	122,044	351,667	1,995,048	1,099,301	—	—	3,598,834
Financial assets held under resale agreements	—	2,824,895	14,097,089	21,276,139	—	—	—	—	38,198,123
Loans and advances to customers	—	9,942,063	16,855,130	68,453,319	30,847,485	33,479,833	363,645	—	159,941,475
investment securities									
—Loans and receivables	—	—	89,930	1,636,377	87,882	—	—	—	1,814,189
—Available-for-sale	—	1,365,977	2,269,569	3,683,196	11,799,252	6,446,228	—	16,383	25,580,605
—Held-to-maturity	—	—	311,499	5,678,617	11,963,471	8,109,139	—	—	26,062,726
Other assets (including deferred income tax assets)	637,446	451,452	303,669	601,270	26,000	—	—	2,712,243	4,732,080
Total assets	18,657,647	57,477,500	37,195,582	101,947,718	56,719,138	49,134,501	363,645	2,728,626	324,224,357
Deposits from banks and other financial institutions	(329,675)	(87,253)	(3,056,194)	(363,545)	(2,055,976)	(72,607)	—	—	(5,965,250)
Placements from banks and other financial institutions	—	(748,200)	—	(150,000)	—	—	—	—	(898,200)
Financial assets sold under repurchase agreements	—	(17,137,597)	(14,977,688)	(15,768,181)	—	—	—	—	(47,883,466)
Deposits from customers	(122,336,331)	(12,499,809)	(38,082,367)	(47,776,374)	(18,104,242)	(744,000)	—	—	(239,543,123)
Debt securities in issue	—	—	—	—	—	(3,991,828)	—	—	(3,991,828)
Other liabilities (including deferred income tax liabilities)	(1,734,310)	(837,300)	(324,559)	(1,273,472)	(1,259,803)	(27)	—	(32,095)	(5,461,566)
Total liabilities	(124,400,316)	(31,310,159)	(56,440,808)	(65,331,572)	(21,420,021)	(4,808,462)	—	(32,095)	(303,743,433)
Net liquidity gap	(105,742,669)	26,167,341	(19,245,225)	36,616,146	35,299,117	44,326,039	363,645	2,696,531	20,480,924

The Group

	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Indefinite	Total
As at June 30, 2013									
Cash and balances with the central bank	2,367,241	57,283,027	—	—	—	—	—	—	59,650,268
Due from banks and other financial institutions	1,487,212	765,940	854,070	1,060,118	—	—	—	—	4,167,340
Placements with and loans to banks and other financial institutions	—	7,727	231,917	652,953	—	—	—	—	892,597
Financial assets held for trading	—	20,828	109,534	179,721	2,263,122	1,095,213	—	—	3,668,418
Derivative financial assets	—	18	29	163	—	—	—	—	210
Financial assets held under resale agreements	—	8,891,796	38,954,063	44,435,035	—	—	—	—	92,280,894
Loans and advances to customers	—	6,911,967	19,384,121	78,333,784	34,458,070	39,185,990	592,129	—	178,866,061
investment securities									
—Loans and receivables	—	3,068,045	1,042,175	4,271,200	51,979	—	—	—	8,433,399
—Available-for-sale	—	3,113,724	3,258,633	1,594,776	14,646,270	8,492,120	—	16,383	31,121,906
—Held-to-maturity	—	1,369,864	561,325	1,658,840	12,882,203	9,239,877	—	—	25,712,109
Other assets (including deferred income tax assets)	386,671	640,032	315,311	639,526	16,975	—	—	2,795,380	4,793,895
Total assets	4,241,124	82,072,968	64,711,178	132,826,116	64,318,619	58,013,200	592,129	2,811,763	409,587,097
Deposits from banks and other financial institutions	(253,214)	(2,377,124)	(1,970,000)	(9,100,000)	(6,000,000)	—	—	—	(19,700,338)
Placements from banks and other financial institutions	—	(628,683)	(274,232)	—	—	—	—	—	(902,915)
Derivative financial liabilities	—	(6)	(6)	(79)	—	—	—	—	(91)
Financial assets sold under repurchase agreements	—	(24,375,062)	(40,954,883)	(35,340,160)	—	—	—	—	(100,670,105)
Deposits from customers	(136,325,585)	(14,338,594)	(23,516,988)	(48,972,832)	(27,382,412)	(1,600,896)	—	—	(252,137,307)
Debt securities in issue	—	—	—	—	(4,993,225)	(3,992,018)	—	—	(8,985,243)
Other liabilities (including deferred income tax liabilities)	(1,344,586)	(635,137)	(287,299)	(1,141,894)	(1,561,469)	(1,083)	—	(33,354)	(5,004,822)
Total liabilities	(137,923,385)	(42,354,606)	(67,003,408)	(94,554,965)	(39,937,106)	(5,593,997)	—	(33,354)	(387,400,821)
Net liquidity gap	(133,682,261)	39,718,362	(2,292,230)	38,271,151	24,381,513	52,419,203	592,129	2,778,409	22,186,276

The Bank

	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Indefinite	Total
As at June 30, 2013									
Cash and balances with the central bank	2,365,444	57,283,027	—	—	—	—	—	—	59,648,471
Due from banks and other financial institutions	1,487,212	765,940	854,070	1,060,118	—	—	—	—	4,167,340
Placements with and loans to banks and other financial institutions	—	7,727	231,917	652,953	—	—	—	—	892,597
Financial assets held for trading	—	20,828	109,534	179,721	2,263,122	1,095,213	—	—	3,668,418
Derivative financial assets	—	18	29	163	—	—	—	—	210
Financial assets held under resale agreements	—	8,891,796	38,954,063	44,435,035	—	—	—	—	92,280,894
Loans and advances to customers	—	6,911,967	19,384,121	78,333,584	34,458,070	39,185,990	592,129	—	178,865,861
investment securities									
—Loans and receivables	—	3,068,045	1,042,175	4,271,200	51,979	—	—	—	8,433,399
—Available-for-sale	—	3,113,724	3,258,633	1,594,776	14,646,270	8,492,120	—	16,383	31,121,906
—Held-to-maturity	—	1,369,864	561,325	1,658,840	12,882,203	9,239,877	—	—	25,712,109
Other assets (including deferred income tax assets)	386,671	640,032	315,311	639,526	16,975	—	—	2,828,180	4,826,695
Total assets	4,239,327	82,072,968	64,711,178	132,825,916	64,318,619	58,013,200	592,129	2,844,563	409,617,900
Deposits from banks and other financial institutions	(253,214)	(2,396,226)	(2,040,000)	(9,100,000)	(6,000,000)	—	—	—	(19,789,440)
Placements from banks and other financial institutions	—	(628,683)	(274,232)	—	—	—	—	—	(902,915)
Financial derivative liabilities	—	(6)	(6)	(79)	—	—	—	—	(91)
Financial assets sold under repurchase agreements	—	(24,375,062)	(40,954,883)	(35,340,160)	—	—	—	—	(100,670,105)
Deposits from customers	(136,325,585)	(14,327,507)	(23,516,988)	(48,972,832)	(27,382,412)	(1,600,896)	—	—	(252,126,220)
Debt securities in issue	—	—	—	—	(4,993,225)	(3,992,018)	—	—	(8,985,243)
Other liabilities (including deferred income tax liabilities)	(1,344,585)	(635,134)	(287,299)	(1,141,894)	(1,561,469)	(1,083)	—	(33,354)	(5,004,818)
Total liabilities	(137,923,384)	(42,362,618)	(67,073,408)	(94,554,965)	(39,937,106)	(5,593,997)	—	(33,354)	(387,478,832)
Net liquidity gap	(133,684,057)	39,710,350	(2,362,230)	38,270,951	24,381,513	52,419,203	592,129	2,811,209	22,139,068

46.3.5 Off-balance sheet items

The Group provides guarantees and letters of credit to customers based on their credit ratings and amount of cash collaterals. Usually, customers will not withdraw the amount committed by the Group in the guarantees or letters of credit in full, therefore, funds required for guarantees and letters of credit are not so much as required for other commitments of the Group. Meanwhile, the Group may be discharged of its obligations due to overdue or termination of the commitments. As a result, the contractual amount for credit commitment cannot represent the actual funds required.

The Group and Bank

	Within 1 year	1-5 years	Over 5 years	Total
As at December 31, 2010				
Bank acceptance	27,467,421	—	—	27,467,421
Letter of credit	1,558,210	124,693	—	1,682,903
Letter of guarantee	904,764	748,889	2,679	1,656,332
Loan commitments	1,000	51,000	—	52,000
Unused credit card lines	257,795	257,795	—	515,590
Total	30,189,190	1,182,377	2,679	31,374,246

The Group and Bank

	Within 1 year	1-5 years	Over 5 years	Total
As at December 31, 2011				
Bank acceptance	38,087,308	—	—	38,087,308
Letter of credit	2,529,126	524,017	—	3,053,143
Letter of guarantee	975,762	776,753	200	1,752,715
Loan commitments	168,903	129,097	—	298,000
Unused credit card lines	271,805	271,804	—	543,609
Total	42,032,904	1,701,671	200	43,734,775

The Group and Bank

	Within 1 year	1-5 years	Over 5 years	Total
As at December 31, 2012				
Bank acceptance	46,602,041	—	—	46,602,041
Letter of credit	1,992,079	31,269	—	2,023,348
Letter of guarantee	869,992	804,752	200	1,674,944
Loan commitments	244,465	222,075	—	466,540
Unused credit card lines	854,489	854,488	—	1,708,977
Total	50,563,066	1,912,584	200	52,475,850

The Group and Bank

	Within 1 year	1-5 years	Over 5 years	Total
As at June 30, 2013				
Bank acceptance	50,744,290	—	—	50,744,290
Letter of credit	3,314,316	21,392	—	3,335,708
Letter of guarantee	906,274	864,797	3,181	1,774,252
Loan commitments	126,719	278,681	—	405,400
Unused credit card lines	1,139,094	1,139,094	—	2,278,188
Total	56,230,693	2,303,964	3,181	58,537,838

46.4 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented at their fair value on the Group's balance sheet, including investment securities-loans and receivables, investment securities-held-to-maturity, deposits from customers and debt securities in issue.

As the following financial assets and liabilities will fall due within one year or are with floating interest rates, their carrying values are similar to fair values. Such assets and liabilities include: cash and balances with the central bank, due from and placements with and loans to banks and other financial institutions, financial assets held under resale agreements, deposits and placements from banks and other financial institutions, financial liabilities sold for repurchase, interest receivable, interest payable, other assets and other liabilities.

Most loans and advances to customers are subject to an annual or more frequent re-pricing based on market rates. Thus, their carrying value is similar to fair value.

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets								
Investment securities-Loans and receivables	6,888,458	6,850,449	3,815,116	3,814,564	1,814,189	1,795,394	8,433,399	8,417,646
Investment securities-Held-to-maturity	13,190,678	13,026,324	20,604,548	20,615,724	26,062,726	26,013,829	25,712,109	25,663,696
Financial Liabilities								
Deposits from customers	(159,582,006)	(159,436,224)	(203,579,704)	(203,235,288)	(239,543,123)	(239,150,154)	(252,137,307)	(252,094,138)
Debt securities in issue	—	—	(3,991,461)	(3,595,860)	(3,991,828)	(3,929,248)	(8,985,243)	(9,099,364)

(i) Loans and receivables and held-to-maturity investments

The fair value of held-to-maturity assets is based on market prices. As such information is not available for loans and receivables, the estimated fair value represents the discounted amount of estimated future cash flows expected to be received and quoted market prices for products with similar credit, maturity and yield characteristics are used where applicable.

(ii) Deposits from customers

The estimated fair value of deposits with no stated maturity, which includes check accounts, deposit accounts and short-term money market deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing time deposits not quoted in an active market is based on discounted cash flows using interest rates for existing time deposits with similar remaining maturity.

(iii) Debt securities in issue

The aggregate fair value is calculated based on quoted market prices.

(b) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Hong Kong Stock Exchange).
- Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts and issued structured debt in interbank market. The sources of input parameters like LIBOR yield curve or counterparty credit risk are China Bond and Bloomberg.
- Level 3—Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments.

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 Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

For unlisted equities (private equity) held by the Group, the fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments. Instruments which have been valued using unobservable inputs have been classified by the Group as level 3. Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external values, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

Assets and liabilities measured at fair value:

The Group and Bank

	Level 1	Level 2	Level 3	Total
As at December 31, 2010				
Financial assets held for trading				
—Debt securities	—	2,717,898	—	2,717,898
Available-for-sale				
—Debt securities	—	20,725,156	—	20,725,156
—Equity securities	5,660	—	8,884	14,544
—Asset management schemes by securities firms or trust companies	—	125,930	—	125,930
Total assets	5,660	23,568,984	8,884	23,583,528

The Group and Bank

	Level 1	Level 2	Level 3	Total
As at December 31, 2011				
Financial assets held for trading				
—Debt securities	—	5,035,807	—	5,035,807
Available-for-sale				
—Debt securities	—	16,056,010	—	16,056,010
—Equity securities	8,825	—	10,158	18,983
—Asset management schemes by securities firms or trust companies	—	2,281,910	—	2,281,910
Total assets	8,825	23,373,727	10,158	23,392,710

The Group and Bank

	Level 1	Level 2	Level 3	Total
As at December 31, 2012				
Financial assets held for trading				
—Debt securities	—	3,598,834	—	3,598,834
Available-for-sale				
—Debt securities	—	20,475,612	—	20,475,612
—Equity securities	6,474	—	9,909	16,383
—Asset management schemes by securities firms or trust companies	—	5,088,610	—	5,088,610
Total assets	6,474	29,163,056	9,909	29,179,439

The Group and Bank

	Level 1	Level 2	Level 3	Total
As at June 30, 2013				
Financial assets held for trading				
—Debt securities	—	3,668,418	—	3,668,418
Derivative financial assets	—	210	—	210
Available-for-sale				
—Debt securities	—	25,990,403	—	25,990,403
—Equity securities	6,474	—	9,909	16,383
—Asset management schemes by securities firms or trust companies	—	5,115,120	—	5,115,120
Total assets	6,474	34,774,151	9,909	34,790,534
Derivative financial liabilities	—	(91)	—	(91)
Total liabilities	—	(91)	—	(91)

The following table presents the changes in level 3 instruments:

The Group and Bank

	Available-for-sale	Total assets
Balance at January 1, 2010	10,249	10,249
Total gains/(losses)		
—Disposals	(1,365)	(1,365)
Balance at December 31, 2010	8,884	8,884
Total gains/(losses) for the period included in profit or loss for assets/liabilities held at December 31, 2010	343	343

The Group and Bank

	Available-for-sale	Total assets
Balance at January 1, 2011	8,884	8,884
Total gains/(losses)		
—Fair value changes taken into equity	1,274	1,274
Balance at December 31, 2011	10,158	10,158
Total gains/(losses) for the period included in profit or loss for assets/liabilities held at December 31, 2011	2,249	2,249

The Group and Bank

	Available-for-sale	Total assets
Balance at January 1, 2012	10,158	10,158
Total gains/(losses)		
—Disposals	(249)	(249)
Balance at December 31, 2012	9,909	9,909
Total gains/(losses) for the period included in profit or loss for assets/liabilities held at December 31, 2012	305	305

The Group and Bank

	Available-for-sale	Total assets
Balance at January 1, 2013	9,909	9,909
Total gains/(losses)		
—Disposals	—	—
Balance at June 30, 2013	9,909	9,909
Total gains/(losses) for the period included in profit or loss for assets/liabilities held at June 30, 2013	—	—

46.5 Capital management

The Group takes sufficient measures of capital management to prevent inherent risks associated with Group's business for the purpose of meeting external regulators' requirements and shareholders' expectation on returns. Capital management also aims to stimulate expansion of capital scale and to improve risk management.

The Group prudently set the objective of capital ratio, taking into account regulatory requirements and the risk situation the Group faces. The Group takes a variety of actions, like limit management to ensure the realization of the objectives and proactively adjust its capital structure in line with economic development and risk characteristics. Generally, the measure of capital structure adjustment includes modification of dividend distribution plan, raising new capital and issuance of new bonds.

In 2010, 2011 and 2012, the Group calculated and disclosed capital ratio in accordance with "Measures for the Management of Capital Adequacy Ratios of Commercial Banks" amended by the CBRC on December 28, 2006 and other relevant regulation. From January 1, 2013, the Group started to implement "The Trial Measures for Capital Management of Commercial Banks" Promulgated by the CBRC on June 7, 2012.

The table below summarizes the capital adequacy ratios of the Group and the Bank for the years ended December 31, 2010, 2011 and 2012:

The Group and Bank

	As at December 31,		
	2010	2011	2012
Core capital:			
Paid up ordinary share capital	8,174,819	8,174,819	8,174,819
Capital reserve	1,721,425	1,772,530	1,681,017
Surplus reserve and general reserve	1,766,283	2,585,779	3,560,679
Profit and loss	2,694,766	3,732,916	6,240,783
	14,357,293	16,266,044	19,657,298
Supplementary capital:			
Collective impairment allowances for impaired assets	1,175,256	1,756,256	2,223,599
Subordinated debts	—	4,000,000	4,000,000
Other supplementary capital	—	—	6,144
Total supplementary capital	1,175,256	5,756,256	6,229,743
Total qualifying supplementary capital	1,175,256	5,756,256	6,229,743
Total capital base before deduction	15,532,549	22,022,300	25,887,041
Deductions:			
Equity investments in financial institutions which are not consolidated	(141,180)	(140,000)	(140,000)
Equity investments in enterprises	(9,924)	—	—
	(151,104)	(140,000)	(140,000)
Total capital base, net of deductions	15,381,445	21,882,300	25,747,041
Core capital base, net of deductions	14,281,741	16,196,044	19,587,298
Risk-weighted assets:			
On-balance sheet	116,449,648	131,224,011	167,696,487
Off-balance sheet	11,131,362	17,830,571	22,413,330
Total risk-weighted assets	127,581,010	149,054,582	190,109,817
Capital adequacy ratio	12.06%	14.68%	13.54%
Core capital adequacy ratio	11.19%	10.87%	10.30%

The tables below summarize the capital adequacy ratio of the Group and the Bank for the period ended June 30, 2013:

The Group

	As at June 30, 2013
Core Tier 1 capital	22,182,467
Including: Paid-up capital	8,174,819
Capital reserve	1,704,626
Surplus reserve, general and statutory reserve	5,581,720
Retained Earnings	6,677,906
Non-controlling interests	43,396
Regulation of deductions for core Tier 1 capital	(67,354)
Total core Tier 1 capital, net of deductions	22,115,113
Other Tier 1 capital	5,786
Total Tier 1 capital, net of deductions	22,120,899
Tier 2 capital	6,361,997
Including: Tier 2 capital instruments and premium	3,592,645
Surplus loan loss provisions	2,757,780
Non-controlling interests	11,572
Regulation of deductions for Tier 2 capital	—
Total capital, net of deductions	28,482,896
Credit risk-weighted assets	223,380,160
Market risk-weighted assets	1,220,043
Operational risk-weighted assets	14,663,082
Total risk-weighted assets	239,263,285
Capital adequacy ratio	11.90%
Tier 1 capital adequacy ratio	9.25%
Core Tier 1 capital adequacy ratio	9.24%

According to regulatory requirement, the capital adequacy ratio calculation by the Group above is based on the consolidation of both Jinzhai Huiyin Rural Bank Co., Ltd and Wuwei Huiyin Rural Bank Co., Ltd.

The Bank

	As at June 30, 2013
Core Tier 1 capital	22,139,068
Including: Paid-up capital	8,174,819
Capital reserve	1,704,626
Surplus reserve, general and statutory reserve	5,581,720
Retained Earnings	6,677,903
Regulation of deductions for core Tier 1 capital	(166,059)
Total core Tier 1 capital, net of deductions	21,973,009
Tier 2 capital	6,339,726
Including: Tier 2 capital instruments and premium	3,592,645
Surplus loan loss provisions	2,747,081
Regulation of deductions for Tier 2 capital	—
Total capital, net of deductions	28,312,735
Credit risk-weighted assets	222,513,527
Market risk-weighted assets	1,220,043
Operational risk-weighted assets	14,584,311
Total risk-weighted assets	238,317,881
Capital adequacy ratio	11.88%
Tier 1 capital adequacy ratio	9.22%
Core Tier 1 capital adequacy ratio	9.22%

46.6 Fiduciary activities

The Group provides custody and trustee services to third parties. These assets arising thereon are excluded from the financial statements. The Group also grants entrusted loans on behalf of third-party lenders, which are not included in the financial statements either.

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Entrusted loans	6,180,386	9,780,024	14,062,704	22,274,110
Off-balance sheet wealth management	177,912	—	2,500,000	2,700,350

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to June 30, 2013 and up to the date of this report. Save as disclosed in this report, no dividend distribution has been declared or made by the Group in respect of any period subsequent to June 30, 2013.

Yours faithfully,

[●]
Certified Public Accountants
Hong Kong

The information set out below does not form part of the Accountant's Report as set out in Appendix I, and is included herein for information purposes only.

(All amounts expressed in thousands of RMB unless otherwise stated)

1 Liquidity ratios

The Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
RMB current assets to RMB current liabilities	35.71%	38.47%	35.09%	35.67%
Foreign currency current assets to foreign currency current liabilities	178.43%	60.39%	46.92%	129.93%

The Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
RMB current assets to RMB current liabilities	35.71%	38.47%	35.09%	35.71%
Foreign currency current assets to foreign currency current liabilities	178.43%	60.39%	46.92%	129.93%

2 Currency concentrations

The Group and Bank

	USD	EUR	Other	Total
As at December 31, 2010				
Spot assets	1,023,127	42,248	34,374	1,099,749
Spot liabilities	(703,905)	(34,175)	(20,761)	(758,841)
Net long/(short) position	319,222	8,073	13,613	340,908
As at December 31, 2011				
Spot assets	1,102,545	86,392	55,671	1,244,608
Spot liabilities	(711,991)	(15,165)	(50,123)	(777,279)
Net long/(short) position	390,554	71,227	5,548	467,329
As at December 31, 2012				
Spot assets	2,149,282	213,540	102,851	2,465,673
Spot liabilities	(1,629,160)	(211,201)	(163,866)	(2,004,227)
Net long/(short) position	520,122	2,339	(61,015)	461,446
As at June 30, 2013				
Spot assets	1,995,903	156,141	28,887	2,180,931
Spot liabilities	(1,334,043)	(2,283)	(15,381)	(1,351,707)
Forward purchases	156,822	3,447	—	160,269
Forward sales	(156,822)	(3,447)	—	(160,269)
Net long/(short) position	661,860	153,858	13,506	829,224

3 Cross-border claims

The Bank is principally engaged in business operations within the Chinese mainland, and we regard all claims on third parties outside the Chinese mainland as cross-border claims.

Cross-border claims include "Due from banks and other financial institutions."

Cross-border claims are disclosed by country or geographical area. A country or geographical area claim is reported where it constitutes 10% or more of the aggregate amount of altogether cross-border claims. Risk transfers where the claim is guaranteed by a party whose location is different from that of the counterparty or the claimant is an overseas branch of the bank whose Head Office is in another country.

The Group and Bank

	Banks and other financial institutions
As at December 31, 2010	
Asia Pacific excluding Chinese mainland	6,984
—Hong Kong	3,532
Europe	20,433
North and South America	117,232
Subtotal	144,649
As at December 31, 2011	
Asia Pacific excluding Chinese mainland	12,566
—Hong Kong	6,712
Europe	30,374
North and South America	115,122
Subtotal	158,062
As at December 31, 2012	
Asia Pacific excluding Chinese mainland	104,739
—Hong Kong	5,745
Europe	121,564
North and South America	131,648
Subtotal	357,951
As at June 30, 2013	
Asia Pacific excluding Chinese mainland	73,324
—Hong Kong	67,095
Europe	101,366
North and South America	264,499
Subtotal	439,189

4 Loans and advances to customers

4.1 Overdue loans and advances to customers

Total amount of overdue loans and advances to customers:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Total loans and advances to customers which have been overdue for				
—within 3 months	103,187	249,759	469,478	663,226
—between 3 to 6 months	73,247	28,575	198,867	251,873
—between 6 to 12 months	49,754	25,185	60,641	374,086
—over 12 months	285,703	249,072	191,128	154,289
Total	511,891	552,591	920,114	1,443,474
Percentage				
—within 3 months	20.16%	45.20%	51.03%	45.95%
—between 3 to 6 months	14.31%	5.17%	21.61%	17.45%
—between 6 to 12 months	9.72%	4.56%	6.59%	25.92%
—over 12 months	55.81%	45.07%	20.77%	10.68%
Total	100.00%	100.00%	100.00%	100.00%

Total amount of overdue loans and advances to customers and allowance assessment by geographic segment:

The Group and Bank

	Anhui Province	Jiangsu Province	Total
As at December 31, 2010			
Overdue loans and advances to customers	511,891	—	511,891
—Individually assessed	(123,859)	—	(123,859)
—Collectively assessed	(213,127)	—	(213,127)
As at December 31, 2011			
Overdue loans and advances to customers	552,591	—	552,591
—Individually assessed	(84,051)	—	(84,051)
—Collectively assessed	(260,061)	—	(260,061)
As at December 31, 2012			
Overdue loans and advances to customers	919,195	919	920,114
—Individually assessed	(139,995)	—	(139,995)
—Collectively assessed	(273,631)	(269)	(273,900)
As at June 30, 2013			
Overdue loans and advances to customers	1,408,298	35,176	1,443,474
—Individually assessed	(310,378)	(3,133)	(313,511)
—Collectively assessed	(295,949)	(516)	(296,465)

Fair value of collaterals against overdue loans and advances to customers:

The Group and Bank

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Fair value of collaterals				
—Corporate loans	188,891	169,292	183,508	996,035
—Retail loans	222,984	601,026	592,170	630,502
Total	411,875	770,318	775,678	1,626,537

Identified impaired loans and advances

The Group and Bank

	Anhui Province	Jiangsu Province	Total
As at December 31, 2010			
Identified impaired loans and advances for which allowance is	697,177	—	697,177
—Individually assessed	(254,489)	—	(254,489)
—Collectively assessed	(203,190)	—	(203,190)
As at December 31, 2011			
Identified impaired loans and advances for which allowance is	654,398	—	654,398
—Individually assessed	(247,919)	—	(247,919)
—Collectively assessed	(168,866)	—	(168,866)
As at December 31, 2012			
Identified impaired loans and advances for which allowance is	949,095	—	949,095
—Individually assessed	(254,665)	—	(254,665)
—Collectively assessed	(166,688)	—	(166,688)
As at June 30, 2013			
Identified impaired loans and advances for which allowance is	1,117,379	47,485	1,164,864
—Individually assessed	(396,897)	(11,288)	(408,185)
—Collectively assessed	(117,092)	—	(117,092)

A. Taxation

The taxation of income and capital gains of is subject to the laws and practices of the PRC and of jurisdictions in which are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current law and practice, is subject to change and does not constitute legal or tax advice. This discussion does not deal with all possible tax consequences relating to the investment . Accordingly, you should consult your own tax adviser regarding the tax consequences of the investment in . This discussion is based upon laws and relevant interpretations in effect as of the date of this document, all of which are subject to change.

The PRC

Dividends

Individual investors. According to the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法) (the "IIT Law") promulgated on September 10, 1980, and amended for six times on October 31, 1993, August 30, 1999, October 27, 2005, June 29, 2007, December 29, 2007 and June 30, 2011, and the Regulation on the Implementation of the Individual Income Tax Law (中華人民共和國個人所得稅法實施條例) (the "Regulation on Implementation of IIT Law") promulgated on January 28, 1994 and amended for three times on December 19, 2005, February 28, 2008 and July 19, 2011, individual shareholders are subject to income tax at a flat rate of 20% in respect of dividends paid by PRC companies. Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (關於國稅發[1993] 045號文件廢止後有關個人所得稅征管問題的通知) promulgated by the SAT on June 28, 2011, dividends received by overseas resident individual shareholders from domestic non-foreign invested enterprises which have issued shares in Hong Kong are subject to individual income tax, which shall be withheld and paid by such domestic non-foreign invested enterprises acting as a withholding agent according to relevant laws. Overseas resident individual shareholders of domestic non-foreign invested enterprises which have issued shares in Hong Kong are entitled to relevant preferential tax treatment pursuant to the provisions in the tax agreements between the countries in which they are residents and China, or the tax arrangements between Mainland China and Hong Kong (Macau). According to the Notice of the SAT in relation to the Administrative Measures on Preferential Treatment entitled by Non-residents under Tax Treaties (Tentative) of Guo Shui Fa [2009] No.124 (國家稅務總局關於印發《非居民享受稅收協定待遇管理辦法(試行)》的通知), overseas resident individuals shall apply for relevant preferential tax treatment and complete relevant formalities in person or through an agent appointed in writing. Since dividends are generally subject to income tax at a tax rate of 10% as required by relevant tax regulations and arrangements, and there is a large number of shareholders and in order to simplify the collection of tax, individual shareholders are generally subject to a withholding tax rate of 10% without any application when domestic non-foreign invested enterprises which have issued shares in Hong Kong distribute dividends. Where the tax rates on dividends are not 10%, the following requirements will apply:

- For individuals receiving dividends who are citizens from countries that have entered into tax treaties with the PRC with tax rates lower than 10%, the withholding agent will apply on behalf of them to seek entitlement of preferential tax treatments pursuant to Guo Shui Fa [2009] No.124, and upon approval by the competent tax authorities, the excess amounts withheld will be refunded;
- For individuals receiving dividends who are citizens from countries that have entered into tax treaties with the PRC with tax rates higher than 10% but lower than 20%, the

withholding agent will withhold and pay the individual income tax at the agreed effective tax rates under the treaties, without seeking such approval;

- For individuals receiving dividends who are citizens from countries without tax treaties with the PRC or under other circumstances, the withholding agent will withhold and pay the individual income tax at the rate of 20%.

Enterprise shareholders. According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), (the "EIT Law"), and the Regulation on the Implementation for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (the "Regulation on the Implementation of EIT Law"), both effective on January 1, 2008, a non-resident enterprise without an establishment or place of business in the PRC, or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, is subject to enterprise income tax at a flat tax rate of 10% on PRC-sourced income (including the dividends received from China resident enterprise which have issued shares in Hong Kong); for such income taxes payable by non-resident enterprises, the obligation to withhold and pay income tax at source in accordance to relevant laws falls upon the payer, who shall withhold and pay the enterprise income tax from the amount to be paid or due payable amount when paying such amount relating to the incomes to any non-resident enterprise each time. According to the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897) (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) issued by the SAT on November 6, 2008, PRC resident enterprises shall withhold and pay the enterprise income tax at a flat rate of 10% for distribution of dividends for years starting from 2008 and onwards to their overseas non-resident enterprise shareholders of H Shares; and upon the receipt of such dividends, a non-resident enterprise shareholder may apply to the tax authorities for relevant treatment under the tax treaties (arrangement) in person or through an agent or a withholding obligator and provide evidence in support of its status as a beneficial owner as defined in the tax treaties (arrangement). Upon verification by the competent tax authority, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangement) will be refunded.

Capital gains

Individual shareholders. According to the IIT Law, individuals are subject to individual income tax at the tax rate of 20% on income from transfer of property. Pursuant to the Regulation on the Implementation of IIT Law, the MOF shall draft the measures for levying individual income tax on income from transfer of shares, which shall come into effect upon approval of the State Council. As of the Latest Practicable Date, however, no relevant measures have been drafted or enacted by the MOF yet. Under the "Notice on Gains Derived by Individuals from Share Transfers Continue to be Exempt from Individual Income Tax" (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知, "Cai Shui Zi [1998] No. 61") jointly issued by the MOF and the SAT on March 30, 1998, gains derived by individuals from transfer of shares in listed companies continues to be exempt from individual income tax since January 1, 1997. It is not certain whether Cai Shui Zi [1998] No.61 applies to such gains of H share Transfers. To our best knowledge, as of the Latest Practicable Date, no legislation expressly provided individual income tax shall be levied on gains realized by non-resident individual holders of shares of PRC enterprises listed on overseas stock exchanges, and in practice, no individual income tax has been levied by the PRC tax authorities on such gains so far.

Enterprise shareholders. According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "EIT Law"), and the Regulation on the Implementation for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) ("the Regulation on the Implementation of EIT Law"), both effective on January 1, 2008, a non-resident enterprise without an establishment or place of business in the PRC, or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, is subject to enterprise income tax at a flat tax rate of 10% on PRC-sourced income (including gains from disposal of equity interests in PRC companies); for such income taxes payable by non-resident enterprises, the obligation to withhold and pay income tax at source falls upon the payer, who shall withhold and pay the enterprise income tax from the amount to be paid or due payable prices when paying such amount relating to the incomes to any non-resident enterprise each time. Such tax rates may be reduced pursuant to the special arrangements or applicable treaties entered into between the PRC and the jurisdiction where the non-resident enterprise domiciles.

Additional PRC tax considerations

PRC stamp duty. Under the Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例) and the Detailed Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例施行細則), both effective on October 1, 1988, PRC stamp duty is imposed on documents that are legally binding in the PRC and protected under PRC law.

Estate duty. No estate duty has been defined and levied in China so far.

Hong Kong

Tax on dividends

Under the current practice, no tax is payable in Hong Kong in respect of dividends paid by us.

Tax on gains from sale

No tax is imposed in Hong Kong in respect of capital gains. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers could prove that the investment securities are held for long-term investment purpose.

Stamp duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of , will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of . Where one of the parties is resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 repealed the relevant provisions of estate duty in respect of whose deaths occur on or after February 11, 2006.

Hong Kong Taxation

Our Directors are of the opinion that we are not subject to Hong Kong taxations as no revenue is derived from or arise in Hong Kong in respect of Hong Kong taxations.

B. Foreign Exchange Controls

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of the Regulation of the People's Republic of China on Foreign Exchange Administration (中華人民共和國外匯管理條例) (the "Regulation on Foreign Exchange").

In accordance with the Notice of the State Council on Further Reforming the Foreign Exchange Management System (GuoFa [1993] No.89) (關於進一步改革外滙管理體制的通知) issued by the State Council, since January 1, 1994, the conditional convertibility of Renminbi in current account items was implemented, and the official Renminbi exchange rate and the market rate for Renminbi were unified. The former dual exchange rate system for Renminbi had been abolished and a unitary and managed floating rate based on market demand and supply was introduced. The PBOC set and published daily the medium price of Renminbi against the U.S. dollar and the exchange rates of Renminbi against other currencies in reference to the changes in the international foreign exchange markets, which was permitted to float to a certain extent in foreign exchange transactions.

On January 29, 1996, the State Council promulgated the Regulation on Foreign Exchange which became effective from April 1, 1996. The Regulation on Foreign Exchange classifies all international payments and transfers into current account items and capital account items. Most of the current account items are not subject to SAFE approval while capital account items are subject to SAFE approval. Regulation on Foreign Exchange was subsequently amended on January 14, 1997 and on August 5, 2008. The latest amended the Regulation on Foreign Exchange clarifies that the State shall not restrict international current account payments and transfers.

On June 20, 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retained the existing restrictions on foreign exchange transactions in respect of capital account items.

Pursuant to the Public Announcement of the PBOC on Improving the Reform of the Renminbi Exchange Rate Regime (PBOC Public Announcement (2005) No.16) (關於完善人民幣匯率形成機制改革的公告) issued by the PBOC on July 21, 2005 and effective on the same day, the PRC began to implement a managed floating exchange rate system based on market supply and demand and with reference to a basket of currencies. Therefore, the RMB exchange rate was no longer pegged to the U.S. dollar only, and a more flexible Renminbi Exchange Rate Regime was formed. The PBOC would announce the closing price of a foreign currency such as the U.S. dollar against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day. This closing price will be used as the middle price for quoting the RMB exchange rate on the following working day.

On August 5, 2008, the State Council promulgated the revised Regulation of the People's Republic of China on Foreign Exchange Administration (the "Revised Regulation on Foreign Exchange"), which has made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Regulation on Foreign Exchange has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the Revised Regulation on Foreign Exchange has improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Revised Regulation on Foreign Exchange has enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Regulation on Foreign Exchange has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enforce its supervisory and administrative powers.

PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items may, without the approval of the SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises which according to regulations are required to pay dividends to shareholders in foreign exchange (like us), may on the strength of board resolutions or the resolution of shareholder's meeting on the distribution of profits, effect payment from their foreign exchange accounts or convert and pay at the designated foreign exchange banks.

In addition, on January 28, 2013, the SAFE issued the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (國家外滙管理局關於境外上市外滙管理有關問題的通知). Pursuant to this Notice, a domestic issue shall, within 15 working days upon the end of its initial public offering overseas, register with SAFE's local branch at the place of its incorporation. The SAFE branch shall issue a certificate of overseas listing upon verification, based on which the domestic issue can open a special account with a local bank to deposit proceeds from its overseas IPO. The proceeds from an overseas listing may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents. The conversion of proceeds remitted to domestic accounts into RMB shall be approved by local SAFE branch.

This Appendix contains a summary of PRC company and securities laws and regulations, certain material differences between the PRC Company Law and the Companies Ordinance and additional regulatory provisions introduced by the Hong Kong Stock Exchange in relation to PRC joint stock limited companies. The principal objective is to provide potential investors with an overview of the principal legal and regulatory provisions applicable to us. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. For discussions of laws and regulations specifically governing finance-related activities, see the section entitled "Supervision and Regulation."

PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (中華人民共和國憲法) and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomy regulations, rules and regulations of State Council departments, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. The PRC Constitution defines the basic system and basic tasks of the state and is the fundamental law of the state; it is enacted by the National People's Congress ("NPC") and has supreme legal force. Court case verdicts do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil and criminal matters and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, subject to the constitution, laws and administrative regulations. The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the relevant provinces or autonomous regions but such local regulations shall conform with the constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomy regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The ministries, commissions, PBOC, National Audit Office of the State Council and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and larger cities may formulate rules based on the laws, administrative regulations and local regulations of such provinces and autonomous regions and municipalities.

According to the PRC Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. Supreme People's Procuratorate has the power to give interpretation on questions involving the specific application of laws and decrees in procuratorial work. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Pursuant to the Organic Law of the People's Courts of the People's Republic of China (中華人民共和國人民法院組織法) passed on July 1, 1979 and amended on December 2, 1986 and October 31, 2006, The judicial authority of the People's Republic of China is exercised by the following people's courts: (i) local people's courts at various levels; (ii) special people's courts such as military courts; (iii) the Supreme People's Court. The local people's courts are divided into three levels: the primary people's courts, the intermediate people's courts and the higher people's courts.

The primary people's courts are divided into criminal, civil, and economic divisions as well as certain people's courts based on the natures of the region, population and cases. The intermediate and higher people's courts are divided into criminal, civil, and economic divisions as well as other divisions as necessary. The Supreme People's Court is the highest judicial organ of the PRC, which is divided into criminal, civil, and economic divisions as well as other necessary divisions. The Supreme People's Court supervises the administration of justice by the local people's courts at various levels and by the special people's courts and gives interpretation on questions involving the specific application of laws and decrees in court trials.

The people's courts adopt a "second instance as final" appellate system in the trial of cases. A party to the case concerned may appeal against the judgment and ruling of the first instance by the local people's courts to the people's courts at the next higher level in accordance with the legal procedures. The people's procuratorate may appeal to the people's court at the next higher level in accordance with the legal procedures. In the absence of any appeal by any parties to the case concerned or any appeal by the people's procuratorate within the stipulated period, the judgment and ruling of the first instance by the local people's courts shall be final and legally binding. Judgments and rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and the judgments and rulings of the first instance of the Supreme People's Court shall be the final judgments and rulings and shall be legally-binding. The death penalty shall be reported to the Supreme People's Court for approval unless it is otherwise adjudged by the Supreme People's Court.

If the presidents of the people's courts find errors in the confirmed facts or the application of laws in respect of their judgments and rulings which have become legally effective, the case must be submitted to the judicial committee for settlement. If the Supreme People's Court or a people's court at a higher level finds errors in the judgments and rulings which have become legally effective in the local people's courts at a lower level, the case may be brought to trial by the Supreme People's Court or a retrial of the case may be conducted by the people's court at a lower level according to the command of the people's court at a higher level. If the Supreme People's Procuratorate or the people's procuratorate at a higher level find errors in the judgments and rulings which have become legally effective in the local people's courts at a lower level, an appeal may be lodged in accordance with the trial and supervision procedures.

Civil Procedure

The PRC Civil Procedure Law (中華人民共和國民事訴訟法), which was promulgated in 1991 and amended in 2007 and 2012, sets forth the jurisdiction, trial organization, withdrawal, participants in proceedings, testimony, time periods and service, conciliation, property preservation and preliminary execution, compulsory measures against impairment of civil actions, litigation costs, trial procedures (including ordinary procedure of the first instance, summary procedure, procedure of the second instance, special procedure, procedure for trial supervision, procedure of supervision and procedure for public invitation to assert claims), execution procedures and special stipulations for civil procedures involving foreign interests (including jurisdiction, time periods and service, arbitration and judicial assistance). All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law.

A civil case is generally heard by a court located in the defendant's place of domicile. The parties to disputes involving contracts or other property rights may also, by written agreement and subject to the provisions of level jurisdiction and exclusive jurisdiction, select the people's courts with its locality with effective connection of the disputes, such as the defendant's place of domicile, the place of performance of the contract, the place of execution of the contract, the plaintiff's place of domicile or the place of the object of the action.

Foreign individuals, stateless individuals and foreign enterprises and organizations shall have the same litigation rights and obligations as the citizens, legal persons and other organizations of the PRC when initiating actions or defending against litigations at the people's courts. Should the judicial court of a foreign country limit the civil litigation rights of the citizens, legal persons and other organizations of the PRC, the PRC courts may apply the same limitations to the citizens, enterprises and organizations of that foreign country. The foreign individual, stateless individual or foreign enterprise or organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at the people's courts. In accordance with the international treaties in which the PRC is a signatory or a participant or the principle of reciprocity, the people's court and foreign court may request each other to serve legal documents on their behalf, conduct investigation and collect evidence and conduct other actions. The people's courts shall not enforce any request made by the foreign courts which will result in the violation of sovereignty, security or public interests of the PRC.

All legally effective judgment and rulings shall be performed by all parties to a civil lawsuit. Where a party refuses to perform a binding judgment or ruling, the other party may apply to the people's court for execution of the judgment or ruling. Alternatively, a judge may refer such judgment or ruling to an enforcement officer for enforcement. The time limit applicable to applications to enforce a judgment is two years. The enforcement officer shall serve an enforcement notice to the person subject to enforcement and may adopt enforcement measures immediately, upon receipt of application for enforcement or reference of enforcement.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A people's court may also request a foreign court for recognition and enforcement of the judgment or ruling in accordance with the international treaties to which the PRC is a signatory or a participant or the principle of reciprocity. In the case of an application or request for recognition and enforcement of a legally effective judgment or ruling of a foreign court, the people's court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or with the principle of reciprocity and having arrived at the conclusion that it does not contravene the primary principles of the laws of the PRC nor violates its sovereignty, security or social and public interests, recognize the validity of the judgment or ruling, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations of the law. If the application or request contravenes the primary principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people's court shall not recognize and enforce it.

THE PRC COMPANY LAW

A joint stock limited company which is incorporated in the PRC and seeking a listing on the certain stock exchange is mainly subject to the following laws and regulations in China:

- The PRC Company Law (中華人民共和國公司法), which was promulgated by the Standing Committee of the NPC on December 29, 1993, took effect on July 1, 1994 and was revised as of December 25, 1999, August 28, 2004 and October 27, 2005 respectively;
- The Special Regulations on Overseas Offering and Listing of Shares by Joint Stock Limited Companies, which were promulgated by the State Council on August 4, 1994 (the "Special Regulations") (國務院關於股份有限公司境外募集股份及上市的特別規定); and
- The Mandatory Provisions for the Articles of Association of Companies Listed Overseas (到境外上市公司章程必備條款) (the "Mandatory Provisions"), which were jointly promulgated by the Securities Committee and the State Restructuring Commission on August 27, 1994, and must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing.

Set out below is a summary of the provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to us.

General

A "company" is a limited liability company or joint stock limited company incorporated in the PRC in accordance with the PRC Company Law. A "company" is a corporate legal person with independent legal person properties and entitlements to such legal person properties and liability to the extent of its total assets. The liability of shareholders of a limited liability company is limited to the amount of capital they contribute, while the liability of shareholders of a joint stock limited company is limited to the amount of shares they subscribe.

Incorporation

A joint stock limited company shall be incorporated by a minimum of two promoters while its maximum thereof is 200, and at least half or more of the promoters must have residences within the PRC. Pursuant to the provisions of the PRC Company Law, the minimum registered capital of a joint stock limited company is RMB5 million or as required by the laws or administrative regulations, whichever is higher.

The promoters must convene an inaugural meeting within 30 days after the shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing more than half of our total shares. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the board of supervisors of the Bank will be dealt with. All resolutions of the inaugural meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must submit those documents required by the law and apply to the registration authority for registration of the establishment of the company. Joint stock limited companies established by the subscription method must file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters must be liable for: (i) the payment of all liabilities and expenses incurred in the act of incorporation jointly and severally if the company cannot be incorporated; (ii) the repayment of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

Share Capital

Under the PRC Company Law, a joint stock limited company's shareholders may make capital contributions in cash, in kind or by way of intellectual property rights, land use rights or other transferable non-cash property based on their appraised value, save for assets prohibited to be contributed as capital by the law or administrative regulations. If a capital contribution is made with non-cash property, a valuation and verification of the property contributed must be carried out without any overvaluation or undervaluation. Where the law or administrative regulations in place have any other provisions on valuation, such provisions shall prevail. The amount of monetary contribution by all shareholders shall not be less than 30% of the registered capital of the limited liability company. Pursuant to the Special Regulations, overseas-listed foreign investment shares issued must be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued must be in registered form.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any units or individuals subscribing for shares. The share offering price may be equal to or greater than the par value of the share, but may not be less than the par value.

A company must obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as "overseas-listed foreign investment shares." Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as "domestic shares." Upon approval of the securities regulatory authorities of the State Council, a company issuing overseas-listed foreign investment shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas-listed foreign investment shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

Under the PRC Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities under the State Council, it must publish a document and financial accounts, and prepare the share subscription form. After the new share issuance has been paid up, the change must be registered with the company registration authorities and an announcement must be made.

Reduction of Share Capital

According to the provisions of the PRC Company Law, a company shall prepare a balance sheet and a property list for the purpose of the reduction of its registered capital. The company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in the newspaper within 30 days after the resolution regarding the reduction is made. Creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts. The reduced registered capital cannot be lower than the statutory minimum registered capital requirements.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares to its employees as incentives; and (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies in a shareholders' general meeting.

The purchase of shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution passed by the shareholders' general meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be cancelled within ten days from the date of purchase in the case of (i) above and transferred or cancelled within six months in the case of (ii) or (iv) above. Shares purchased in accordance with (iii) above shall not exceed 5% of the total number of the company's issued shares. Such purchase shall be financed by funds appropriated from the company's profit after tax, and the shares so purchased shall be transferred to the company's employees within one year.

Transfer of Shares

The shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders must be carried out at a lawfully established securities exchange or in other manners stipulated by the State Council. Registered shares may be transferred after the shareholders endorse their signatures on the back of the share certificates or in any other manner specified by the law or administrative regulations. Following the transfer, the company shall enter the name of the transferee and its address into the share register. No modifications of registration in the share register provided in the foregoing shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, whereas there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions. The transfer of bearer's share certificate shall become effective upon the delivery of such share certificate to the transferee by the shareholder.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company that their shareholdings in the company and any alternation of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, or six months after their resignation from their positions with the company.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to PRC Company Law, the company shall deliver its financial statements to all the shareholders within the time limit stipulated in the articles of association and make its financial statements available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company issuing its shares in public must publish its financial statements.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory reserve fund (except where the fund has reached more than 50% of its registered capital). If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions. After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed by the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits.

The joint stock limited company's remaining after-tax profits after making up losses and allocation of reserve fund must be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association. Profit distributed to shareholders by the shareholders' general meeting or the board of directors before making up losses and allocation of statutory reserve fund in violation of the foregoing provisions must be returned to the company. Shares held by the company shall not be entitled to any distribution of profit.

The premium received by the joint stock limited company through issuance of shares at prices above par value and other incomes required by the finance authority of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

Our reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund cannot be applied to make good the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Accounting Firms

Pursuant to PRC Company Law, the appointment or dismissal of accounting firms responsible for the audit business of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm that we employ without any refusal, withholding and misrepresentation.

The Special Regulations requires us to employ an independent accounting firm complying with the relevant regulations to audit our annual report and review and check our other financial reports. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the reserve fund is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas-listed foreign investment shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas-listed foreign investment shares.

Amendments to Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to Mandatory Provisions, the company may amend its articles of association according to the laws, administrative regulations and our Articles of Association. The amendment of articles of association involving content of Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department authorized by the State Council. It must process the registration of changes involving matters of company registration in accordance with laws.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding our shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardships in its operation and management that cannot be resolved through other means, and that the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of our Articles of Association in accordance with provisions set out above shall require approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting. Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors can apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;

- to notify creditors through notice;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within ten days after its establishment, and issue public notices in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of our properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and our debt shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, but cannot carry on any operating activities that are not related to the liquidation. The company's properties shall not be distributed to the shareholders before repayment are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that we do not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation group shall hand over all affairs of the liquidation to the people's court. Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to our registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abuse of their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

Members of the liquidation group shall perform their duty honestly and discharge the obligation of liquidation in accordance with laws. Members of the liquidation group shall be prohibited from abuse of their powers to accept bribes or other unlawful income and from misappropriating the company's properties. A member of the liquidation group is liable to indemnify the company or its creditors in respect of any loss arising from his willful or material default.

Overseas Listing

According to the Special Regulations, a company may issue shares to overseas investors, whether intended or not, and its shares can be listed overseas upon approval of the securities regulatory authorities of the State Councils. Subject to approval of the company's plans to issue overseas-listed foreign investment shares and domestic shares by the securities regulatory authorities of the State Council, the board of directors of the company may make arrangement to implement such plans for the issue of such shares. The company's plans to issue overseas-listed foreign investment shares and domestic shares respectively pursuant to the provisions aforesaid may be implemented respectively within 15 months from the date of approval of the securities regulatory authorities of the State Councils.

Loss of Share Certificates

According to the PRC Company Law, a shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court in the event that his/her share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for the issue of replacement certificate(s). A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

PRC SECURITIES LAW AND REGULATIONS

The PRC Securities Law (中華人民共和國證券法) took effect on July 1, 1999 and was amended as of August 28, 2004, October 27, 2005 and June 29, 2013 respectively. The PRC Securities Law comprehensively regulates the PRC securities market, and contains provisions governing, among other matters, the issue and trading of securities, takeovers by listed companies, securities exchanges, and securities companies and the duties and responsibilities of the CSRC. Pursuant to the PRC Securities Law, no domestic enterprises shall issue securities overseas directly or indirectly or listing shares outside the PRC before obtaining approval from the securities regulatory authorities of the State Council in accordance with the State Council's requirements.

The CSRC is the supervisory and regulatory institution for securities in China. It is responsible for the formulation of policies relating to securities, the drafting of securities laws and regulations, the supervision of the securities markets, market intermediaries and participants, the supervision and regulation of the domestic and overseas public offerings of securities by PRC companies, as well as the supervision and regulation of securities transactions.

Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People's Republic of China (中華人民共和國仲裁法) (the "Arbitration Law") was passed by the Standing Committee of the NPC on August 31, 1994 and became effective on September 1, 1995. According to the Arbitration Law, any disputes over contracts and other interests among citizens, legal persons and other organizations with equal status may be settled by arbitration. Both parties shall reach an arbitration agreement voluntarily in order to settle the dispute through arbitration. The arbitration commission shall not accept any application for arbitration from a single party without arbitration agreement. The People's Court shall not accept filing of suit from a single party with arbitration agreement, except for invalid arbitration agreement. The arbitration commission shall be selected by the parties by agreement. In arbitration, there shall be no jurisdiction by level and no territorial jurisdiction. The award of arbitration shall be final and conclusive. Neither the arbitration commission nor the People's Court shall accept any application of arbitration or filing of suit in relation to the same dispute once the award had been made. If the award is revoked or refused execution by the People's Court, the parties may apply for arbitration in accordance with a new mutual arbitration agreement or file a suit at the People's Court.

Certain rules and regulations require an arbitration clause to be included in the articles of association of an issuer and, in the case of certain rules and regulations, also in contracts between the issuer and each of its directors and supervisors, to the effect that whenever any disputes or claims arise (i) between holders of shares and the issuer; and (ii) between holders of shares and the issuer's directors, supervisors, manager or other senior management officers. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with its rules or the Hong Kong International Arbitration Center ("HKIAC") in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention must be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

On June 18, 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. Under the arrangement, awards made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong subject to the satisfaction of certain legal requirements, Hong Kong arbitration awards are also enforceable in China subject to the satisfaction of certain PRC legal requirement.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN CERTAIN COMPANY LAW MATTERS IN THE PRC AND HONG KONG

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and supplemented by common law and the rules of equity that apply to Hong Kong.

In the following sections, we summarize certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company having share capital, is incorporated and will acquire an independent corporate existence after the Companies Registry of Hong Kong has issued a certificate of incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. A joint stock limited company must have a minimum registered capital of RMB5 million, or a higher amount as may otherwise be required by laws and regulations. Under the PRC Company Law, the monetary contributions by all the promoters of a joint stock company must be no less than 30% of the registered capital.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

Under Hong Kong law, the authorized share capital of a Hong Kong company is the amount of share capital that the company is authorized to issue. A company is not bound to issue the entire amount of its authorized share capital. The authorized share capital of a Hong Kong company may be larger than its issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders (if necessary), cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the PRC Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, a joint stock limited company's shareholders may make capital contributions in cash, in kind or by way of intellectual property rights, land use rights or other transferable non-cash property based on their appraised value, save for assets prohibited to be contributed as capital by the law or administrative regulations. If a capital contribution is made with non-cash property, a valuation and verification of the property contributed must be carried out without any overvaluation or undervaluation. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, A shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed H shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management of the company cannot transfer their shares within one year from the day when the shares are listed and traded on a stock exchange. There are no such restrictions on shareholdings and transfer of shares in respect of such persons under Hong Kong law.

Financial Assistance for Acquisition of Shares

Although the PRC Company Law does not prohibit or restrict a company or its subsidiaries from providing financial assistance for the purpose of an acquisition of shares, the Mandatory Provisions contain restrictions on a company and its subsidiaries from providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law makes no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a company's directors and managers are subject to the supervision of a Board of Supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that supervisors owe duties, in the exercise of their authorities endowed by the company, to act honestly and in good faith in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of the company against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by a shareholders' general meeting, or by the Board, that violates any law, administrative rules or articles of association or if the directors, supervisors or senior managers violate laws, administrative rules or articles of association when performing their duties and cause losses to the company. The Mandatory Provisions provide certain remedies against the directors, supervisors and senior management officers who breach their duties to the company. In addition, as a condition to the listing of H shares on the Hong Kong Stock Exchange, each director and supervisor is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minority Shareholders

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. Under the Mandatory Provisions, in addition to obligations imposed by laws, administrative regulations or the listing rules required by the stock exchange on which shares of the company are listed, a controlling shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of the all or part of the shareholders: (1) to relieve the responsibility of a director or supervisor to act honestly in the best interests of the company; (2) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person), in any way, of the company's assets, including (without limitation to) opportunities beneficial to the company; or (3) to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation to) rights to distributions and voting rights save pursuant to a restructuring proposal submitted to shareholders for approval in accordance with the articles of association.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholders' general meeting (containing time, place of and matters to be considered at the meeting) must be given to each shareholder 20 days before the meeting, while notice of an extraordinary meeting must be given to each shareholder 15 days before the meeting. Under the Special Regulations and the Mandatory Provisions, a written notice of a shareholders' general meeting must be given 45 days before the meeting, informing the shareholders whose names are on the register of shareholders about the matters to be considered at the meeting as well as the date and place appointed for holding the meeting. For a company incorporated in Hong Kong, the minimum period of notice of a general meeting, where convened for the purpose of considering ordinary resolutions, is 14 days and, where convened for the purpose of considering special resolutions, is 21 days. The notice period for an annual general meeting is 21 days.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a meeting of a company must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, a quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting. However, the Special Regulations and the Mandatory Provisions provide that, the company shall, based on the written replies received 20 days before the date of the shareholders' general meeting, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting reaches one half or more of the company's total voting shares, the company may hold the meeting; if not, the company shall within 5 days notify the shareholders by public notice of the matters to be transacted at, the date and place for, the meeting and the company may convene such meeting after making such announcement.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution at a general meeting requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the Bank for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. A joint stock limited company issuing its shares in public must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and report of the directors not less than 21 days before such meeting.

Under the Mandatory Provisions, financial statements shall, in addition to be prepared by the company in accordance with the Generally Accepted Accounting Principles of China and applicable laws, rules and regulations in China, be also prepared in accordance with the generally accepted accounting principles of the international community or the overseas places where the shares are listed. Any material discrepancies in the two sets of statements prepared based on above-mentioned principles shall be explained in the explanatory notes attached. The lower of the after-tax profits of a specific fiscal year stated in the statements prepared based on the above-mentioned principles shall prevail in the allocation of such profits. The company shall publish its financial reports twice in each accounting year. An interim financial report shall be published within 60 days after the end of the first six months of each accounting year, and an annual financial report shall be published within 120 days after the end of each accounting year.

Under the Special Regulations, there should not be any contradiction between the documents prepared by the company to disclose information within and outside the PRC. If there are differences in the information disclosed within and outside the PRC or in different countries and regions outside the PRC in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously on the relevant stock exchanges.

Information on Directors and Shareholders

Under the PRC Company Law, shareholders have the right to inspect and copy the company's articles of association, minutes of the shareholders' general meetings, resolutions passed at meetings of the board of directors, resolutions passed at meetings of the board of supervisors and financial and accounting reports, similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas-listed foreign investment shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas-listed foreign investment shares. The receiving agents appointed by the company shall meet the requirements of the laws of the place where the company's shares are listed or the relevant regulations of those stock exchanges.

Corporate Reorganization

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the Bank in the course of being wound up voluntarily to another company pursuant to Section 237 of the Companies Ordinance or a compromise or arrangement between the Bank and its creditors or between the Bank and its members pursuant to Section 166 of the Companies Ordinance, which requires the sanction of the court. For PRC companies, such reorganizations are administratively considered and sanctioned under the PRC Company Law.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through the courts. The Mandatory Provisions provide that the party seeking arbitration may elect for arbitration to be carried out at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules.

Mandatory Deductions

Under the PRC Company Law, when allocating the after-tax profits of the current year, the company shall allocate ten percent (10%) of its profit to the statutory common reserve fund. In the event that the accumulated statutory common reserve fund of the company has reached more than fifty percent (50%) of the registered capital of the company, no allocation is needed. There are no corresponding provisions under the Companies Ordinance.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or senior executive officer infringes any law, administrative regulation or the articles of association of the company in carrying out his duties, which results in damage to the company, that director, supervisor or senior executive officer should be responsible to the company for such damages. Furthermore, according to the requirements of the Mandatory Provisions, the articles of association shall set out other measures that a company is entitled to take in addition to those rights and remedies provided in laws and administrative regulations in the event that a director, supervisor, manager and other senior executive officer of the company fails to discharge his/her obligations to the company. These measures are similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or senior executive officer).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of H shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Special Regulations, directors, supervisors, managers and other senior executive officers of a company have fiduciary duties and obligations of diligence toward the company. They shall comply with the articles of association, loyally perform their duties, safeguard the interests of the company and may not use their positions and powers in the company to seek private gain for themselves.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days under special circumstances) in a year, whereas, as required by the Mandatory Provisions, no revision of the register of shareholders shall be registered on account of a share transfer within 30 days before the date of a shareholders' meeting or within 5 days before the base date for dividend distribution as decided upon by the company.

CERTAIN RULES AND REGULATIONS

Certain rules and regulations provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange.

Accountant's Report

An accountant's report will not normally be regarded as acceptable by the Hong Kong Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong. Such report will normally be required to conform to either HKFRS or IFRS.

Process Agent

A listed company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public Shareholding

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, certain rules and regulations require that the aggregate amount of H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK$50 million. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10,000 million.

Independent Non-Executive Directors and Supervisors

Independent non-executive directors are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the listed company's general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as Supervisors.

Restrictions on Repurchase of Securities

Subject to governmental approvals and its articles of association, a listed company may repurchase its own shares on the Hong Kong Stock Exchange in accordance with the provisions of the certain rules and regulations. Approval by way of a special resolution of the holders of class shares at separate class meetings conducted in accordance with the articles of association is required for share repurchases. In seeking approvals, a listed company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. It must also state the consequences of any purchases which will arise under either or both of the Hong Kong Takeovers Code or any similar PRC law of which directors are aware, if any. Any general mandate given to directors to repurchase shares must not exceed 10% of the total number of its issued shares.

Redeemable Shares

A listed company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, directors are required to obtain approval by way of a special resolution of shareholders at general meeting, and the approvals by way of special resolutions of the holders of class shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with and as required by the articles of association, prior to authorizing, allotting, issuing or granting shares or securities convertible into shares, options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required to the extent that the existing shareholders have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and foreign shares as at the date of the passing of the relevant special resolution, or such shares are issued as part of our plan at the time of our establishment to issue domestic shares and foreign shares and which plan is implemented within 15 months from the date of approval by the State Council Securities Policy Committee or such other competent state council securities regulatory authorities.

Supervisors

A listed company is required to obtain the approval of its shareholders at a general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the listed company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires the company (or the subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year in order for it to terminate the contract.

The nomination and remuneration committee of the listed company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise shareholders on how to vote.

Amendment to Articles of Association

A listed company may not permit or cause any amendment to its articles of association which would cause them to cease to comply with the PRC Company Law or certain rules and regulations.

Documents for Inspection

A listed company is required to make available at a place in Hong Kong for inspection by the public and our shareholders free of charge, and for copying by its shareholders at reasonable charges the following:

- complete duplicate register of shareholders;
- report showing the state of its issued share capital;
- its latest audited financial statements and the reports of the directors, auditors (if any) and supervisors (if any) thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by it since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between class shares);

- copy of the latest annual return filed with the PRC SAIC or other competent PRC authority; and
- for shareholders only, copies of minutes of meetings of shareholders.

Receiving Agents

Under Hong Kong law, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to such agents dividends declared and other monies owed in respect of the H shares to be held, pending payment, in trust for the holders of such H shares.

Statements in Share Certificates

A PRC issuer is required to ensure that all its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of those shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the company and each shareholder, and it agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and its articles of association;
- agrees with the company, each shareholder, director, supervisor, manager and other senior executive officer and it (acting both for the Bank and for each director, supervisor, manager and other senior executive officer), agree with each shareholder to refer all differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the articles of association. Any reference to arbitration will be deemed to authorize the arbitration tribunal to conduct its hearing in open session and to publish its award. Such arbitration will be final and conclusive;
- agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and
- authorizes the company to enter into a contract on his behalf with each director and senior executive officer whereby such directors and senior executive officers undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

Legal Compliance

A PRC issuer is required to observe and comply with the PRC Company Law, the Special Regulations and its articles of association.

Contract between the PRC Issuer and Directors, Senior Executive officers and Supervisors

A PRC issuer is required to enter into a contract in writing with every director and senior executive officer containing at least the following provisions:

- an undertaking by the director or senior executive officer to itself to observe and comply with the PRC Company Law, the Special Regulations, its articles of association, the Hong

Kong Takeovers Code and an agreement that it must have the remedies provided in its articles of association and that neither the contract nor his office is capable of assignment;

- an undertaking by the director or senior executive officer to it acting as agent for each shareholder to observe and comply with his/her obligations to the shareholders as stipulated in the articles of association;
- an arbitration clause which provides that whenever any differences or claims arise from the contract, its articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning affairs between us and its directors or senior executive officers and between a holder of H shares and a director or senior executive officer, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;
- if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of HKIAC;
- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;
- the award of the arbitration body is final and shall be binding on the parties thereto;
- the agreement to arbitrate is made by the Director or officer with our Bank on our own behalf and on behalf of each Shareholder; and
- any reference to arbitration shall be deemed to authorize the arbitral tribunal to conduct hearings in open session and to publish its award.

The relevant company is required to enter into a contract in writing with every supervisor containing terms substantially similar to those for directors. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of HKIAC. PRC laws must govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral body is final and must be binding on the parties thereto. Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

Subsequent Listing

A PRC issuer must not apply for the listing of its H shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of its H shares are adequately protected.

GENERAL

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of H shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under certain rules and regulations to impose additional requirements and make special conditions in respect of any company's listing. Upon listing on the Hong Kong Stock Exchange, companies listed on the Hong Kong Stock Exchange will be subject to the provisions of the Hong Kong Securities and Futures Ordinance, the Hong Kong Takeovers Code and such other relevant ordinances and regulations as may be applicable.

SECURITIES ARBITRATION RULES

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal must, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal must order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

This appendix summarized our Articles of Association for the purpose of providing potential investors with an overview of it. As the information set out below is only a summary, it does not contain all of the information which may be important to potential investors.

Our Articles of Association were passed in the shareholders' general meeting held on July 10, 2013 and subsequently revised as per the opinions from relevant supervision authorities and approved by our authorized officer as authorized by the general meeting and the board of our Bank.

(a) Classes of Shares

Shareholders holding different types of shares shall be shareholders of different classes.

Shareholders of different classes shall enjoy the rights and assume the obligations stipulated by laws, regulations, and our Articles of Association.

Except shareholders holding other types of shares, shareholders holding domestic-listed shares and shareholders holding overseas-listed shares are considered as shareholders of different classes.

Shareholders of different classes shall enjoy the same rights in any distribution in the form of dividends or any other form.

(b) Directors

Board

The Board of the Bank is accountable to the shareholders' general meeting, and shall exercise the functions and authorities in accordance with the laws, administrative regulations and our Articles of Association. The Board is comprised of 15 directors, of which the independent directors shall account for more than one third of the total members of the Board. The Board shall have one chairman and one to two vice chairmen who shall both be held by directors of the Bank, and shall be elected and removed by more than one-half of all directors of the Bank.

The Board exercises the following functions and authorities:

- convening the shareholders' general meeting and reporting to the shareholders' general meeting;
- implementation of the resolutions of the shareholders' general meeting;
- decisions on our business development strategy, business plan and investment strategy;
- formulation of proposals of our annual financial budgets, final accounts, profit distribution and loss appropriation plan;
- formulation of plans of increase or reduction of registered capital, issuance of corporate bonds or other marketable securities and listing plan;
- formulation of proposals of material acquisition, repurchase of our shares, or proposals of merger, division, dissolution or change of the legal form of our Bank;

- decisions on material external investment, purchase and sale of assets and material guarantees beyond our general bank business scope within the authorization by the shareholders' general meeting;
- review and approval of significant connected transactions and preparation of special reports to the Shareholders' general meeting on implementation of connected transactions management rules and overall connected transactions;
- decisions on the establishment of internal management organizations of the Bank;
- appointment and removal of the president and the secretary to the Board of the Directors upon the nomination by the chairman of the Board, appointment and removal of the vice president of the Bank and other senior management upon the nomination by the President, and decision on the remuneration and punishment of such personnel;
- formulation of our fundamental management rules and decisions on our risk tolerance, risk management, internal control and compliance policy;
- formulation of amendments to our Articles of Association, Rules of Procedures for Shareholders' General Meetings and Rules of Procedures for the Board;
- proposals to the shareholders' general meeting for engagement, dismissal or discontinuance of the accounting firm;
- supervision of performance for senior management, listening to the work reporting of the President and inspection of the president's work, being entitled to require the President and other senior management to provide matters and information related to our operations and ensuring they will perform their management duties efficiently;
- being responsible for information disclosure and being ultimately liable to the truthfulness, completeness, accuracy and timeliness of the accounting and financial reporting of the Bank;
- regular evaluation and consistent improvement of corporate governance of the Bank in accordance with the laws, administrative regulations, departmental rules, regulatory requirements of relevant regulatory authorities and the Articles of Association of the Bank;
- formulation of stock incentive plan and employee stock ownership plan; decisions on the business performance linked staff compensation package measures of the Bank; and
- other functions and authorities vested by laws, administrative regulations, departmental rules, regulatory requirements of the relevant regulatory authorities and our Articles of Association and authorized by the shareholders' general meeting.

Chairman of Board

The chairman of the Board shall exercise the following duties and powers:

- presiding over the shareholders' general meeting, and convening and presiding over the Board meeting;
- supervising and inspecting the implementation of resolutions of the Board;
- signing certificates of shares, bonds and others marketable securities of the Bank;
- signing important documents of the Board and other documents that shall be signed by the legal representative of the Bank;

- exercising the duties as legal representative of the Bank;
- exercising special powers in connection with the affairs of the Bank under the emergency circumstance of material natural disaster and force majeure in compliance with statutory rules and in the interest of the Bank and reporting to the Board and the shareholders' general meeting of the Bank afterwards;
- decisions on unusual information disclosure matters arising from emergencies, which will subsequently be reported to the Board; and
- other duties and powers vested by laws, regulations, rules, regulatory requirements of the relevant regulatory authorities and the Articles of Association as well as authorized by the Board.

The vice chairman assists the Chairman, and when the chairman of the Board cannot perform or fails to perform his/her duties and powers, the vice chairman shall act on his/her behalf orderly; when the vice chairman cannot perform or fails to perform his/her duties and powers, a director elected jointly by half or more of all the directors shall act on his/her behalf.

(i) Power to allot and issue shares

There is no provision in the Articles of Association empowering the directors, supervisors and senior management to allot and issue shares.

Any proposal to increase the registered capital of the Bank must be submitted for approval by a special resolution of the shareholders' general meeting. Any such increase is subject to approval of relevant regulatory authorities.

(ii) Power to dispose of the assets of the Bank or any subsidiary banks (subsidiary companies)

When disposing of fixed assets, if the expected value of the fixed assets the Board intends to dispose of and the total value of the fixed assets already disposed of four months before such disposal proposal in aggregate exceeds 33% of the fixed assets value shown in the most recent balance sheet reviewed by the shareholders' general meeting, the Board must not dispose of or consent to the disposal of such fixed assets before such disposal is approved by the shareholders' general meeting.

The effectiveness of transactions conducted by the Bank to dispose of fixed assets is not subject to the violation of the aforesaid item.

For our Articles of Association, disposal of fixed assets referred to above includes the transfer of certain interests of assets, but excludes the provision of security using fixed assets.

(iii) Remuneration, compensation or payment for loss of office

The remuneration of the directors shall be subject to the approval of shareholders' general meeting. The Bank shall sign written agreements with its directors and supervisors in the matter of remuneration with the prior approval of shareholders' general meeting. The matter of remuneration above includes:

- remuneration for positions as the Bank's directors, supervisors or senior management;

- remuneration for positions as the directors, supervisors or senior management of subsidiary banks (subsidiary companies) of the Bank;
- remuneration for other services supporting the management of the Bank and its subsidiary banks (subsidiary companies) of the Bank; and
- compensation for a director or supervisor's loss of office or retirement.

Unless pursuant to the aforesaid agreements, the directors and supervisors shall not file any lawsuit against the Bank and claim the benefits they shall obtain for the foregoing matters.

There shall be a provision in the contract in relation to remuneration made between the Bank and our directors or supervisors that, in the event of a takeover of our Bank, the directors or the supervisors shall be entitled to receive compensation or other payments as a result of loss of office or retirement, provided that prior approval shall have been obtained at a shareholders' general meeting. A takeover of the Bank referred to above means either:

- a takeover offer to all shareholders has been made by any person; or
- a takeover offer has been made by any person to enable the offeror to become the controlling shareholder as defined in our Articles of Association.

If the relevant director or supervisor does not comply with this provision, any sum so received by him/her shall belong to those who have sold their shares as a result of the said offer. The expenses incurred in distributing such sum pro rata amongst those persons shall be borne by such director or supervisor and shall not be deducted from the sum to be received by him/her.

(iv) Loans to directors, supervisors and senior management

The Bank shall not, directly or indirectly, provide loans or loan guarantees for its and its parent company's directors, supervisors, or senior management, nor shall it provide the same to their related persons.

The following situations are not subject to the above provisions:

- the provision of a loan or a guarantee for a loan by the Bank to its subsidiary banks (subsidiary companies);
- the provision of a loan or a guarantee for a loan or any other funds by the Bank to any of its directors, supervisors, or other senior management to meet expenditure incurred by him/her for the purpose of the Bank or for the purpose of enabling him/her to perform his/her duties properly, in accordance with the terms of an employment contract approved by the shareholders' general meeting; and
- the Bank may provide loans or loan guarantees for directors, supervisors, and senior management and their respective related persons based on normal commercial terms.

A loan made by the Bank in breach of the above provisions shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

A loan guarantee made by the Bank in breach of the above provisions shall not be enforceable on the Bank, with the following exceptions:

- The lender is unaware about actual situation when a loan is extended to directors, supervisors and senior management members of the Bank or its parent company and their respective associates; and
- Collaterals provided by the Bank have legally been sold to a bona fide purchaser.

(v) Financial assistance to purchase our shares

The Bank or the subsidiary banks (subsidiary companies) shall not offer any financial assistance at any time by any means to purchasers or prospective purchasers for behaviors of purchasing or proposing to purchase the Bank's shares. Such purchasers of the Bank's shares as mentioned above shall include those who directly or indirectly assume the obligations due to purchase of the shares of the Bank.

The Bank or the subsidiary banks (subsidiary companies) shall not offer any financial assistance at any time by any means in order to reduce or relieve the obligations of the aforesaid obligator due to their purchase or intention of purchase of the shares of the Bank.

For these purposes, the "financial assistance" shall include but is not limited to the following means:

- gifts;
- guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensation (other than the compensation in respect of the Bank's fault) or release or waiver of any rights;
- provision of loan or any other agreement under which the obligations of the Bank are to be fulfilled before the obligations of another party, or a change in the parties to, or the novation of, or the assignment of rights arising under, such loan or agreement; and
- any other form of financial assistance given by the Bank when the Bank is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

The "obligations" herein referred to shall include the obligations of the obligator by signing a contract or making an arrangement (regardless of whether or not the aforesaid agreement or arrangement is enforceable, or whether or not such obligations are assumed by the obligator individually or jointly with any other person), or changing its financial condition in any other way.

The acts listed below are not prohibited by the Articles of Association of the Bank, except those prohibited by relevant laws, regulations, rules and statutory documents:

- where the Bank provides the financial assistance truthfully for the interests of the Bank and the main purpose of the financial assistance is not to purchase shares of the Bank, or the financial assistance is an incidental part of an overall plan of the Bank;
- lawful distribution of the Bank's property in the form of dividends;
- distribution of dividends in the form of shares;

- reduction of registered capital, repurchase of shares, adjustment of shareholding structure, etc., in accordance with the Articles of Association of the Bank;
- provision of a loan by the Bank within its scope of business and in the ordinary course of its business (provided that the same does not lead to a reduction in the net assets of the Bank or that if the same constitutes a reduction, the financial assistance is deducted from the Bank's distributable profits); and
- provision of money by the Bank for an employee shareholding scheme (provided that the same does not lead to a reduction in the net assets of the Bank or that if the same constitutes a reduction, the financial assistance is deducted from the Bank's distributable profits).

(vi) Disclosure of interest in contracts with the Bank

Where the Bank's directors or any of its associates (as defined in certain rules and regulations), supervisors and senior management are directly or indirectly relevant to the agreements, transactions or arrangements (except employment agreements between the Bank and its directors, supervisors and senior management) signed or planned by the Bank, they shall notify the Board of the nature and degree of such a relationship, no matter whether such matter, in general, shall be approved by the Board.

Unless the interested directors, supervisors and senior management of the Bank have informed the Board of the matter as specified, and the Board has approved it at a meeting where they are not incorporated into the quorum and nor do they participate in the voting, the Bank shall have the right to cancel such agreements, transactions or arrangements, except where the counterparty is an innocent party who is not aware of the relevant directors, supervisors and senior management' violation of their obligations.

The Bank's directors, supervisors and senior management shall be treated as interested parties where their related persons are interested in a certain contract, transaction or arrangement.

If, before the Bank first considers the entering into of the relevant contract, transaction or arrangement, a director, supervisor and senior management member of the Bank gives written notice to the Board and the Board of Supervisors, stating that by reasons of the facts contained in the notice, he/she will be interested in such contract, transaction or arrangement to be entered into by the Bank subsequently, such director, supervisor and senior management member shall be deemed to have made such disclosure as stipulated above to the extent as stated in the notice.

(vii) Appointment, removal and retirement

Nomination and Election of Directors

The Directors includes executive Directors and non-executive Directors (including independent non-executive Directors), and shall have a term of office of three years. All the directors may serve consecutive terms if reelected upon the expiration of his/her term of office. Candidates for directors shall be nominated by the nomination and remuneration committee of the Board, or by the shareholders who individually or in aggregate hold 3% or more of total issued shares of the Bank with voting rights, and shall be elected by the shareholders' general meeting. The qualification for serving as directors shall be submitted to and approved by the banking regulatory authorities.

The same shareholder and his/her/its connected person shall not nominate the candidates for director and supervisor concurrently. If such candidate for director (supervisor) as nominated by the same shareholder and his/her/its connected person has served as director (supervisor), such shareholder shall not nominate another candidate for supervisor (director) until the expiry of his/her term of office or the change of his/her position. In principle, the number of directors nominated by the same shareholder and his/her connected person shall not exceed one third of the total members of the Board, unless otherwise stipulated by the national laws. A shareholder who has already nominated candidate for director shall not renominate independent director.

Candidates for independent directors shall be nominated by the nomination and remuneration committee of the Board, and shareholders who individually or in aggregate hold 1% or more of total outstanding shares of the Bank with voting rights to the Board and shall be elected by the shareholders' general meeting. Service term of an independent director is the same as that of other directors of the Bank. Independent directors may serve consecutive terms if reelected upon the expiration of his/her term. The successive term of office of an independent director in the Bank shall not exceed six years.

Nomination and Election of Supervisors

Supervisors of the Bank include supervisors representing shareholders, external supervisors and supervisors representing employees. The proportion of the Bank's supervisors representing employees ("Employee Supervisors") and the external supervisors shall not be less than one third of the total number of supervisors respectively.

Candidates for supervisors representing shareholders shall be nominated by the Board of Supervisors or the shareholders holding individually or in aggregate 3% or more of total outstanding shares of the Bank with voting rights, and shall be elected by the shareholders' general meeting.

Employee Supervisors shall be nominated by our board of supervisors and Labor Union of the Bank, and shall be subject to the election, removal or change at the employee representative meeting or through any other democratic procedure.

The external supervisor of the Bank shall be nominated by the Board of Supervisors or the shareholders holding individually or in aggregate 1% or more of shares of the Bank with voting rights, and shall be elected by the shareholders' general meeting.

Removal and Resignation of Directors

Subject to compliance with relevant laws and administrative regulations, the shareholders' general meeting may dismiss any director during his/her service term through a general resolution (provided the director's claim that can be proposed in accordance with any contract will not be affected).

A director may resign prior to the expiry of his/her service term. When a director intends to resign, he/she shall submit a written resignation to the Board. The Board shall notify the Board of Supervisors within 2 days upon receipt of such a resignation, and report this fact to the latest shareholders meeting.

If failure to re-elect a candidate upon the expiry of a director's service term or the resignation of any director within his/her term of office has an impact on our normal operation or causes the number of members of the Board to fall below the minimum number of directors required by law, such director shall continue to perform his/her duties as a director in accordance with laws, administrative regulations, departmental rules and the Bank's Articles of Association until a new director is elected and assumes his/her office. Save as stated above, the resignation of a director shall become effective when it is served to the Board.

There is no provision in the Articles of Association regarding retirement or non-retirement of directors under an age limit.

Removal and Resignation of Supervisors

A supervisor may offer to resign before the expiry of his/her term of office. The provisions concerning the resignation of directors shall apply to supervisors.

(viii) Borrowing powers

The Articles of Association of the Bank do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

- provisions which authorize the Board to formulate proposals for the issuance of corporate bonds or other marketable securities by the Bank and public listing; and
- provisions which provide that the issuance of corporate bonds and other marketable securities shall be approved by the shareholders' general meeting by a special resolution.

(ix) Proceedings of the Board

Resolutions of board meetings shall be passed by more than half of all directors and resolutions of board meetings approving connected transactions shall be passed by more than half of the votes cast by all directors who have no material interest in such transactions.

A special resolution of board meetings shall be passed by a two-thirds of all directors. For the following matters, a special resolution shall be passed by the Board and the meeting shall not be held in the manner of written resolution:

- our plans for annual fiscal budget and final accounts;
- our plans for capital replenishment, allocation of risk capital, profit distribution and making up loss;
- our plans for the increase or decrease of registered capital;
- our plans for issuance of corporate bonds or other marketable securities and public listing;
- our plans for merger, division, dissolution, liquidation or change of corporate form;
- our plans for repurchase of the shares of the Bank;
- appointment and dismissal of senior management;
- amendments to the Articles of Association;
- consideration and approval of setup of material legal persons, material acquisition and merger, material investments, material purchase of assets, material disposal of assets, material write-off of assets, and material guarantee within the authorization of the shareholders' general meeting;

- material changes in the Bank's shareholding and other significant events such as the financial restructuring, etc.;
- other matters that require more than two thirds votes of all directors by virtue of laws, administrative regulations, and provisions of Departmental rules, normative documents of the relevant regulatory authorities and the Bank's Articles of Association, and that are material to the Bank in the opinion of more than half of all directors.

(c) Revision of the Bank's Articles of Association

In any of the following circumstances, our Bank shall amend the Articles of Association:

- If upon amendments to the Company Law, Commercial Banking Law or other applicable laws and regulations, any terms contained in the Articles of Association become inconsistent with the provisions of the amended laws, regulations;
- Certain terms specified in our Articles of Association changes; and
- a resolution being passed by the shareholders' general meeting to amend our Articles of Association.

For any amendments to our Articles of Association, the Board shall propose the plan on amendments, which are subject to approval by the shareholders' general meeting. The amendments to the Articles of Association passed by the shareholders' meeting shall be subject to the approval by the relevant regulatory authorities, if required; and where an amendment to the Articles of Association shall be subject to registration, the Bank shall register such amendment in accordance with relevant laws.

(d) Variation of Rights of Existing Shares or Classes of Shares

If the Bank intends to change or abrogate the rights of a class of shareholders, it may do so only after such change or abrogation has been approved by way of a special resolution of the shareholders' general meeting and by a separate shareholders' meeting convened by the affected shareholders of that class in accordance with the Articles of Association.

In the following conditions, rights of a class of shareholders shall be deemed to have been changed or abrogated:

- an increase or decrease in the number of shares of such class or an increase or decrease in the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;
- a change of all or part of the shares of such class into shares of another class, a conversion of all or part of the shares of another class into shares of such class or the grant of the right to such change;
- a removal or reduction of rights to accrued dividends or cumulative dividends attached to shares of such class;
- a reduction or removal of a dividend preference or property distribution preference during liquidation of the Bank, attached to shares of such class;
- an addition, removal or reduction of share conversion rights, options, voting rights, transfer rights, preemptive rights to rights issues or rights to acquire securities of the Bank attached to shares of such class;

- a removal or reduction of rights to receive amounts payable by the Bank in a particular currency attached to shares of such class;
- a creation of a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;
- an imposition of restrictions or additional restrictions on the transfer or ownership of shares of such class;
- an issuance of rights to subscribe for, or convert into, shares of such type or other classes;
- an increase in the rights and privileges of shares of other classes;
- restructuring of the Bank causing shareholders of different classes to bear liability to different extents during the restructuring; and
- amendment or cancellation of provisions as required by "Special Procedures for Voting by a Class of Shareholders" of our Articles of Association.

Interested shareholders shall not enjoy voting rights in class shareholders' general meeting. "Interested shareholders" shall have the following meanings:

- after the Bank has made a repurchase offer to all shareholders equally pro rata or made a repurchase by means of public transaction at the stock exchange in accordance with the Articles of Association, "interested shareholders" refers to the controlling shareholders defined in the Articles of Association;
- after the Bank has made a repurchase by means of agreement outside the stock exchange in accordance with the Articles of Association, "interested shareholders" refers to the shareholders concerned with this agreement; and
- in the Bank's restructuring plan, "interested shareholders" refers to those shareholders who assume responsibilities with smaller proportion than other shareholders of the same class or those shareholders who enjoy different interests from other shareholders of the same class.

A resolution of class shareholders' meeting shall be passed after it is adopted by two-thirds or more of voting shares present at a class shareholders' meeting.

Special procedures for voting by shareholders of different classes do not apply to the following cases:

- after approval by the shareholders' general meeting through special resolution, the Bank issues domestic listed shares and overseas-listed shares every other 12 months, either separately or simultaneously, and the domestic listed shares and overseas-listed shares to be issued do not exceed 20% of this kind of shares already issued to the public;
- the plan to issue domestic listed shares and overseas-listed shares during the Bank's establishment is accomplished within 15 months from the date of approval of the securities regulatory authorities of the State Council.
- the unlisted shares held by our shareholders, after approval from the banking regulatory authorities of the State Council and the securities regulatory authorities of the State Council can be listed and traded on an overseas stock exchange.

(e) Alteration of capital

Increase of Registered Capital

Upon the demands of operation and business development and in accordance with relevant laws and regulations, the Bank may, subject to resolutions of the shareholders' meeting and the approval of the relevant regulatory authorities, increase its registered capital in the following ways:

- public offering of shares;
- non-public offering of shares;
- placing new shares to existing shareholders;
- transferring capital reserve funds to increased capital; and
- other methods permitted by laws and regulations or by relevant competent authorities.

The Bank's increase of its capital by issuing new shares shall be conducted in accordance with the procedures provided in relevant laws and regulations after being approved according to the Articles of Association.

Reduction of Registered Capital

The Bank may reduce its registered capital. The reduction of the registered capital of the Bank shall be handled in accordance with the procedures stipulated by *the Company Law*, *the Commercial Banking Law* and other relevant regulations and provisions of the Bank's Articles of Association.

The Bank must prepare a balance sheet and a list of properties when it is to reduce its registered capital.

The Bank shall notify its creditors within ten days of adopting the resolution to reduce its registered capital and shall publish an announcement of the resolution in the media designated by the Bank within 30 days. Creditors shall, within 30 days of receiving a written notice or within 45 days since the date of the announcement for those who have not received a written notice, be entitled to require the Bank to pay its debts or to provide a corresponding guarantee for repayment.

The registered capital of the Bank after reduction may not be less than the statutory minimum.

(f) Special Resolution—Majority Required

The resolutions of the shareholders' general meeting are divided into two types: (i) general resolutions, and (ii) special resolutions.

General resolutions made by shareholders' general meeting shall be adopted by more than half of the voting shares represented by the shareholders present at the meeting (including their proxies).

Special resolutions made by shareholders' general meeting shall be adopted by two-thirds or more of the voting shares represented by the shareholders present at the meeting (including their proxies).

The following items shall be adopted by shareholders' general meeting through general resolution:

- work reports of the Board and the Board of Supervisors;

- profit distribution plans and plans to cover company losses proposed by the Board;
- appointment and dismissal of directors and supervisors and their remuneration and payment thereof;
- plans for financial budget and final budgets;
- engagement and dismissal of the accounting firms;
- assessment reports prepared by the Board in respect of the performance of duties by the directors (including independent directors);
- assessment reports prepared by the Board of Supervisors in respect of the performance of duties by the supervisors (including external supervisors); and
- other matters than those stipulated by laws, regulations, rules, relevant regulatory authorities or the Articles of Association, which require the adoption through a special resolution.

The following items shall be adopted by shareholders' general meeting through special resolution:

- increase or reduction of the Bank's registered capital and issuance of stock, warrants of any type or any other similar securities;
- issuance of corporate bonds or other marketable securities and listing plan by the Bank;
- such matters as merger, division, dissolution, liquidation and change of corporate form of the Bank;
- revision of the Articles of Association;
- purchase or sale by the Bank of material assets or the granting of security with a value exceeding 30% of the latest audited total asset value of the Bank within one year;
- stock incentive plans and employee stock ownership plan; and
- other matters stipulated by laws, regulations, rules, regulatory authorities or the Articles of Association, and determined by the shareholders' general meeting by a general resolution that are significant to the Bank and shall be approved by special resolution.

(g) Voting Rights (generally, on a poll and right to demand a poll)

If the Bank intends to hold a shareholders' general meeting, distribute dividends, conduct liquidation and other activities where the shareholders' identities need to be confirmed, the Board or the person convening the general meeting shall decide the record date, and the shareholders recorded in the register of members after the market closes on the record date shall be the shareholders who are entitled to relevant rights and interests.

Shareholders (including their proxies) shall exercise their voting rights according to the voting shares held by them, with each share representing one voting right.

Shares held by the Bank have no voting rights, and will not be counted toward the total voting shares present in the shareholders' general meeting.

All matters which require a resolution at a general meeting shall be voted by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Ballot voting requested for matters concerning the election of chairman of the meeting or termination of the meeting shall be conducted immediately; for other matters, the chairman of the meeting shall decide when to conduct ballot voting. The meeting can continue to discuss other matters, and the voting result there from will still be deemed as the resolution adopted in this meeting.

During ballot voting, shareholders (including their proxies) with two or more voting rights do not necessarily use them all for affirmative or negative votes or abstention of votes.

(h) Annual General Meetings

There are two types of shareholders' general meeting: annual shareholders' general meeting and interim shareholders' general meeting. The shareholders' general meeting is generally convened by the board.

The annual shareholders' general meeting shall be held once a year within six months after the end of the previous fiscal year. If the meeting has to be postponed due to special reasons, it shall be reported to the banking regulatory authorities in time with the reasons stated and make announcement thereof.

An interim shareholders' general meeting shall be convened within two months from the occurrence date of any of the following events:

- the number of directors is less than the quorum as specified by the Company Law, or two-thirds of the number as stipulated by the Articles of Association;
- the outstanding balance of the Bank's loss reaches one-third of the Bank's total paid-up share capital;
- shareholders who individually or jointly hold more than 10% of the voting shares in the Bank submit a written request. The number of shares held shall be decided as of the date when the written request is submitted;
- the Board deems it as necessary;
- the Board of Supervisors proposes its opening; and
- other situations, as stipulated by laws, administrative regulations, departmental rules, regulatory authorities and the Articles of Association.

(i) Accounts and Audit

The Bank shall establish its financial and accounting systems according to provisions as stipulated by laws, regulations and regulatory authorities.

The Board shall at each annual shareholders' general meeting submit to the Shareholders the financial statements prepared by the Bank as required by the relevant laws, administrative regulations, departmental rules and statutory documents.

The Bank shall prepare its financial statement not only according to the Chinese accounting standards and regulations but also according to the international accounting standards or the accounting standards in the overseas-listing place. In case there are major differences between the financial statements prepared according to the two accounting standards, they should be indicated clearly in the notes of the financial statements. When distributing the after-tax profit for the related accounting year, the Bank shall adopt whichever is the lower of the after-tax profit in the aforesaid two financial statements.

The annual financial report prepared by the Bank within four-month period after the end of each fiscal year shall be submitted to the relevant regulatory authorities according to law. The Bank shall publish its financial report twice in each fiscal year, i.e. publish the interim financial report within 60 days after the end of the first six months of a fiscal year, and publish the annual financial report within 120 days after the end of a fiscal year. Where there are otherwise provisions by the securities regulatory authority in the listing place where our shares are listed in relation thereto, those provisions shall be observed.

(j) Notice of Meetings and Business to be Conducted

When the Bank is to convene a shareholders' general meeting, written notice shall be given to all Shareholders 45 days prior to the meeting. Shareholders to be present in the shareholders' general meeting shall send a written reply of attendance to the Bank 20 days before the meeting is convened.

The Bank shall calculate the number of shares with voting rights based upon the written reply received 20 days prior to the shareholders' general meeting. Where the number of voting rights shares held by Shareholders who are going to attend the meeting reaches half or more of the total of shares with voting rights of the Bank, then the meeting can be held. Otherwise, the Bank shall inform the Shareholders again, in the form of an announcement about the matters to be discussed in the meeting, with the location and date of the meeting to be held within five days. The Bank may convene such a Shareholders' general meeting after such announcement has been made.

The meeting notice for the Shareholders' general meeting shall satisfy the following conditions:

- made in writing;
- specifying the date, location, and duration of the meeting;
- describing the matters and proposals to be considered at the meeting;
- providing the materials and explanations necessary for shareholders to make sensible decisions regarding the matters to be discussed, principally including (but not limited to) specific terms and agreements (if any) for a proposed transaction, and a detailed explanation of its reason and sequence where the Bank proposes a merger, repurchase of shares, restructuring of shares or other form of restructuring;
- where any Directors, Supervisors and senior management have an important interest with regard to matters to be discussed, then the nature and extent of that interest shall be disclosed. Further, where the impact of the matters to be discussed by such directors, supervisors and senior management who are shareholders is different from the impact on other shareholders of the same class, then that difference shall be illustrated;
- containing the full text of any special resolution proposed to be passed at the meeting;
- providing a clear description stating that shareholders who are entitled to attend the shareholders' general meeting have the right to entrust at least one proxy, as necessary, who does not need to be a shareholder of the Bank, to attend the meeting and also to put forward a resolution;

- specifying Date of Record for the shareholders who are entitled to attend the shareholders' general meeting;
- setting the deadline and place for the delivery of the proxy letter of the meeting;
- specifying the name and telephone number of the contact person for the meeting; and
- other circumstances provided by laws, administrative regulations, departmental rules, statutory documents, relevant regulatory authorities and our Articles of Association.

The notice of shareholders' general meeting shall be delivered together with samples of authorized proxy letter.

(k) Transfer of Shares

Unless otherwise specified by the relevant laws, administrative regulations and the regulations of the securities regulatory authorities in the locality where the shares of the Bank are listed, the fully paid shares of the Bank may be transferred legally without any lien attached. To transfer the shares of the Bank, the transferor shall register with the stock registration organization entrusted by the Bank.

All fully paid may be freely transferred in accordance with the Articles of Association. However, the Board may refuse to recognize any transfer documents without stating any reason unless the conditions stipulated in the Articles of Association are met.

All transfers of shall adopt written instruments of transfer in writing in an ordinary or usual form or in any other form acceptable to the Board. The instruments of transfer may be signed by hand or (where the transferor or transferee is a corporation) by the company's seal. Where the transferor or transferee is a recognized clearing house (as defined by relevant regulations in accordance with Hong Kong laws from time to time) or its proxy, the instruments of transfer may be signed by hand or in a machine-imprinted format.

The transfer of our shares shall comply with relevant provisions as required by the banking regulatory authorities and other regulatory authorities.

The Bank shall not accept any pledge with its own shares as the subject matters.

(l) Power of the Bank to Repurchase Its Own Shares

The Bank may repurchase its issued shares in the following circumstances in accordance with the provisions of the Article of Associations and subject to the approval from the relevant regulatory authorities:

- reducing the registered capital of the Bank;
- merging with any other companies holding the shares of the Bank;
- giving the shares to employees of the Bank as a reward;
- being requested to repurchase the shares of the Bank by the shareholders who object to the resolutions adopted at the shareholders' general meeting concerning merger and division of the Bank; and
- other circumstances permitted by laws, administrative regulations and relevant regulatory authorities.

Where the Bank repurchases its shares under circumstances (1) to (3), it shall obtain approval from shareholders' general meeting. Where the Bank repurchases its shares under circumstance (1), it shall cancel the shares within 10 days from the date of repurchase. Where the Bank repurchases its shares under circumstances (2) and (4), the Bank shall transfer or cancel the shares within 6 months.

The shares repurchased by the Bank under circumstance (3) shall not exceed 5% of the total issued shares of the Bank. The funds for repurchase shall be paid from the after-tax profits of the Bank. The shares redeemed shall be transferred to the employees within one year.

The Bank may repurchase its shares in any of the following ways after being approved by relevant regulatory authorities:

- making a repurchase offer pro rata to all shareholders;
- repurchasing by means of open transaction at a stock exchange;
- repurchasing by means of contractual agreement outside a stock exchange; and
- other methods as permitted by laws, administrative regulations and relevant regulatory authorities.

(m) Power of Any of the Subsidiary Banks (subsidiary companies) to Own our Shares

There are no provisions in the Articles of Association restricting ownership of shares in our Bank by any of our subsidiary banks (subsidiary companies).

(n) Dividends and Other Methods of Distributions

The Bank may distribute dividends in the form of cash or shares.

The Bank's current year profits shall be distributed in the following order of priority:

- offsetting the losses in previous years;
- contributing 10% of them to its statutory reserve fund;
- making general reserve;
- contributing to its discretionary reserve fund; and
- distributing profits and paying dividends to its shareholders at the proportion of the shares held by a shareholder.

In the event that the accumulated statutory reserve exceeds 50 percent of the Bank's registered capital, no further allocation is needed. The shareholders' general meeting shall decide whether any further allocation to the discretionary reserve shall be made after making allocations to the statutory reserve and the general reserve. The Bank shall not distribute dividends to shareholders before making up losses, making allocations to the statutory reserve and the general reserve. Any dividend distributed to shareholders by the shareholders' general meeting in contravention of the requirements provided above shall be refunded to the Bank by the shareholders. Shares of the Bank held itself shall not participate in any distribution of profits. Shareholders shall not be entitled to dividends in case that the capital adequacy ratio of the Bank fails to meet the requirements as stipulated by law.

The Bank shall appoint receiving agents on behalf of the shareholders of overseas-listed shares. Receiving agents shall receive on behalf of the relevant shareholders dividends distributed and other monies payable by the Bank in respect of the overseas-listed shares. The receiving agents appointed by the Bank shall comply with the laws and the requirements of the regulations of the securities regulatory authorities where the shares of the Bank are listed. The receiving agents appointed by the Bank on behalf of shall be a trust company registered in accordance with the Trustee Ordinance of Hong Kong.

Subject to compliance with the relevant laws, administrative regulations and departmental rules of the PRC, the Bank may exercise right to forfeit unclaimed dividends, provided that such right shall be exercisable only after the applicable limitation period expires.

(o) Proxies

Any shareholders entitled to attend and vote at a shareholders' meeting shall have the right to appoint one or more persons (who need not be shareholders) as his/her proxies to attend and vote on his/her behalf.

Shareholders shall entrust the proxy in writing, and the proxy shall be signed by the shareholders or agents authorized by the shareholders in writing. If a shareholder is a legal person, the instrument shall be sealed with the legal person's stamp or signed by its directors or agents authorized in writing.

The proxy form shall specify, in the absence of specific instructions from the shareholder, whether the proxy may vote at his/her own discretion. If there is no such specification in the proxy form, the proxy is deemed to be entitled to vote at his/her own discretion for any resolution lack of specific instruction from the shareholder, and the shareholder shall assume responsibility for such vote.

Where a shareholder has died, lost capacity for acts, revoked the proxy or the signed authorization prior to the voting, or the relevant shares have been transferred, a vote given in accordance with the terms of proxy letter shall remain valid as long as our Bank does not receive a written notice of the event before the commencement of the relevant meeting.

(p) Calls on Shares and Forfeiture of Shares

For dividends that are not claimed by anyone, the Bank may exercise the right of expropriation under the precondition of complying with the relevant laws, administrative regulations and departmental rules, but the right shall be exercised only after the expiration of the applicable period.

The Bank shall have the right to terminate sending dividend warrants to holders of overseas-listed shares by mail, but the Bank shall exercise the right only after a dividend warrant fails to be redeemed for two consecutive occasions, however, the Bank can exercise the right after the first occasion on which such a dividend warrant is returned as undelivered.

The Bank shall have the right to sell the shares of shareholders of overseas-listed shares who are untraceable in a way deemed appropriate by the Board, provided the following conditions are met:

- the Bank has distributed dividends at least three times to the shares within 12 years, and the dividends are not claimed by anyone during the period; and

- the Bank publishes announcements in one or more newspapers where the Bank's shares are listed after the expiration of the 12-year period, stating its intention to sell the shares, and informs the securities regulatory authorities where the Bank's shares are listed.

(q) Inspection of Register of Members

Our shareholders are entitled to inspect all parts of the register of members and make photocopies upon payment of a reasonable cost according to the Articles of Association of the Bank.

(r) Quorum for Meetings and Separate Class Meetings

The Bank shall calculate the number of shares with voting rights represented by the shareholders who are going to attend the shareholders' general meeting based upon the written reply received 20 days prior to the shareholders' general meeting. Where the number of voting rights shares held by shareholders who are going to attend the meeting reaches half or more of the total of shares with voting rights of the Bank, then the meeting can be held. Otherwise, the Bank shall inform the shareholders again, in the form of an announcement about the matters to be reviewed in the meeting, with the date and place of the meeting to be held within five days. The Bank may convene such shareholders' general meeting after such announcement has been made.

When the voting shares represented by the shareholders to be present in the meeting reach half or more of the total voting shares of that class in the meeting, the Bank can convene class shareholders' general meeting; otherwise, the Bank shall, within five days, inform the shareholders again of the matters to be reviewed in the meeting, the meeting date and place through public announcement, after which it can convene class shareholders' general meeting.

(s) Rights of Minorities in Relation to Fraud or Oppression

A controlling shareholder and the actual controller of the Bank have a duty of fidelity to the Bank and other public shareholders. The controlling shareholder shall exercise the rights of contributors in strict compliance with the laws, and it shall not jeopardize legitimate rights and interests of the Bank and other public shareholders by profit distribution, assets reorganization, external investments, capital occupation or loan guarantee or by taking advantage of its controlling status.

In addition to the obligations imposed by the laws and administrative regulations or the relevant regulations required by securities regulatory authorities where the shares of the Bank are listed, our controlling Shareholder, in exercising the power as a Shareholder, shall not exercise his voting rights in a manner prejudicial to the interests of all or part of the shareholders when making decision on the following matters:

- exempting the responsibility of the directors and the supervisors to act in good faith for the maximum benefit of the Bank;
- approving the directors and the supervisors to deprive the property of the Bank (including but not limited to the opportunities that are favorable to the Bank) in any form for their own benefit or for the benefit of others; and
- approving the directors and the supervisors to deprive the individual rights and interests of other shareholders (including but not limited to any distribution rights, voting rights, but excluding the reorganization of the Bank which is submitted to the shareholders' general meeting for approval in accordance with the Articles of Association) for their own benefit or for the benefit of others.

The term "controlling shareholder(s)" herein shall refer to the person(s) satisfying any of the following conditions:

- acting alone or in concert with others, has the right to elect half or more of the directors;
- acting alone or in concert with others, has the right to exercise or control the exercise of 30% or more of the voting rights of the Bank;
- acting alone or in concert with others, holds 30% or more of the issued shares of the Bank; and
- acting alone or in concert with others, can de facto control the Bank in any other manners.

(t) Limitation to the rights of the shareholders under certain circumstances

Any unit or individual which or who purchases the issued shares outside of the Bank shall be subject to the requirements of the banking regulatory authorities and the relevant regulatory authorities. The major shareholders shall make a true, accurate and complete disclosure of the particulars of the related parties to the Board, and undertake to promptly report to the Board of the Bank in case of any changes of their relationship.

Any unit or individual which or who purchases 5% or more of the total number of the issued shares outside of the Bank should obtain a prior approval of the banking regulatory authorities. If, in the absence of the prior approval of the banking regulatory authorities, the number of shares held by a shareholder is equal to or in excess of 5% of the total number of the issued shares outside of the Bank (the "Excess Shares"), prior to the approval of the banking regulatory authorities, such shareholder holding the Excess Shares shall be subject to the necessary restrictions when exercising the shareholders' rights in respect of the Excess Shares as stipulated in the Articles of Association, including but not limited to:

- no voting rights shall be attached to the Excess Shares when a vote is taken at the shareholders' general meeting (including the class shareholders' general meeting); and
- the right to nominate directors and supervisors as stipulated in the Articles of Association shall not be attached to the Excess Shares.

If a shareholder holding the Excess Shares fails to obtain the approval from the banking regulatory authorities, such shareholder must transfer such Excess Shares within the period prescribed by the banking regulatory authorities.

Notwithstanding the foregoing provisions, shareholders of the Bank holding the Excess Shares shall not be subject to any restriction when exercising part of their rights.

Any shareholder shall be in strict compliance with the laws and regulations, and the requirements of the regulatory authorities if any shares of the Bank are to be pledged for the benefits of his/her own or others. Also, such shareholder must serve a prior notice to the Board.

If the balance of loans from the Bank by a shareholder exceeds the audited net value of equity held by him for the previous year, he/she/it shall not create further pledge over his/her/its shares in the Bank.

The shareholders, especially the major shareholders, shall support the reasonable capital planning formulated by the Board of the Bank so that our capital will continue to meet the regulatory requirements. When our capital fails to comply with the regulatory requirements, a capital replenishment plan shall be made to enable the capital adequacy ratio to satisfy the regulatory requirements within the time framework, and other measures to replenish capital such as increase of core capital shall be taken. The major shareholders shall not hinder other shareholders from replenishing the capital of the Bank or new eligible shareholders from participating.

The major shareholders shall make a long-term capital replenishment commitment to the Bank in writing as a part of capital planning of the Bank.

The term "major shareholders" herein shall refer to the shareholder that holds (directly, indirectly or jointly) or controls 5% of the shares or voting rights and has significant influence on the decision-making of the Bank.

(u) Procedure on liquidation

The Bank shall be dissolved according to laws, if:

- its shareholders' meeting has resolved to do so;
- it is dissolved as a result of the merger or division of the Bank;
- the Bank's business license is suspended, or it is ordered to be terminated or revoked according to laws; or
- in case the Bank encounters significant difficulties in its operation and management, under the circumstance of which continuing existence will cause material harm to shareholders' interests, and the problems could not be solved by other means, the shareholders holding 10% or more of all the voting shares may request the People's Court to dissolve the Bank; and
- the Bank has been declared bankrupt by the People's Court according to law.

If the Board decides the Bank shall carry out liquidation (except for liquidation resulting from the Bank's declaration of bankruptcy), it shall state in the notice of the shareholders' general meeting convened for this purpose that the Board has conducted comprehensive investigation of the Bank's condition and believes that the Bank is able to pay off all its debts within 12 months after starting the liquidation.

The powers and functions of the Board shall terminate immediately upon the resolution on liquidation passed by shareholders' general meeting and the establishment of the liquidation committee.

The liquidation committee shall follow the directions of the shareholders' general meeting to report on its income and expenditures, the Bank's business and progress of liquidation at least once a year to the shareholders' general meeting and make a final report to shareholders' general meeting at the end of liquidation.

The liquidation committee shall give notice of its establishment to the creditors within 10 days of its establishment and publish an announcement of the establishment in the media designated by the Bank within 60 days of its establishment.

The creditors shall declare their claims to the liquidation committee within 30 days of the date of receiving the notice or within 45 days of the date of the announcement in the case of not receiving the notice.

The creditors shall explain the matters related to their claims and provide supporting materials when declaring their claims. The liquidation committee shall register the claims.

The liquidation committee shall not settle any debt with the creditors during the period of claim declaration.

(v) Other Provisions Material to Our Shareholders

Functions and Authority of the Shareholders' Meeting

The shareholders' meeting is the authorized entity to exercise the functions and authorities as follows:

- decision on business policies and material investment plans;
- election and replacement of directors and supervisors who are not employee representatives and decision on their remuneration;
- review and approval of reports of the Board;
- review and approval of reports of the Board of Supervisors;
- review and approval of proposed annual financial budgets and final accounts;
- review and approval of profit distribution and loss appropriation plan;
- resolutions on increase or reduction of registered capital;
- resolutions on issuance of corporate bonds or other marketable securities and listing;
- resolutions on merger, division, dissolution, liquidation or change of the legal form of the Bank;
- revision of our Articles of Association; review and approval of Rules of Procedure for Shareholders' General Meeting, Rules of Procedure for Meetings of Board and Rules of Procedure for Meetings of Board of Supervisors;
- decision on engagement, dismissal or discontinuance of engagement of accounting firm;
- review and approval of proposals by shareholders independently or collectively representing more than 3% of voting rights;
- consideration and review of matters relating to the acquisition or disposal of material assets with a value exceeding 30% of the latest audited total asset value of the Bank within one year;
- review and approval of provision of guarantees as stipulated in our Articles of Association;
- review and approval of related party transactions which shall be approved by the shareholders' general meeting in accordance with laws, administrative regulations, departmental rules, statutory documents, requirements by relevant regulatory authorities and the Articles of Association of the Bank;

- review and approval of the change of use of proceeds;
- review and approval of stock incentive plan and employee stock ownership plan; and
- review and approval of other matters which shall be determined by the shareholders' general meeting in accordance with laws, administrative regulations, departmental rules and requirements by relevant regulatory authorities and the Articles of Association of the Bank.

Loans to Shareholders

The conditions of facility that the Bank offers to the shareholders shall not be more favorable than those offered to other customers of the same type of facility.

Where the Shareholders, especially the major shareholders, owe overdue facility to the Bank, the Bank shall restrict his/her/its rights to vote at the shareholders' general meeting and the rights of the directors delegated by such shareholders to vote at the Board of Meeting in accordance with the requirements of relevant regulatory authorities.

Directors' Qualification Shares

A director is a natural person, who does not necessarily hold the shares of the Bank.

Board Committees

The Board shall establish special committees, including Development Strategy Committee, Personnel Nomination & Remuneration Committee, Risk Management Committee, Related Party Transactions Supervision Committee, and Audit Committee. Each special committee shall be responsible to the Board, and shall have one chairman who is responsible for convening the activities of the special committee. In principle, the principal chairman of each special committee shall be separated.

Each special committee shall be composed of no less than three members. In which, Audit Committee, Related Party Transactions Supervision Committee and Personnel Nomination & Remuneration Committee shall be composed mainly by independent directors, and shall be chaired by an independent director as person in charge.

Audit Committee shall be composed of non-executive directors (including independent directors) who have expertise and experience in any of finance, auditing and accounting, and shall include at least one independent director who is a financial or accounting professional. The chairman of the Risk Management Committee shall have experience in judging and monitoring various risks.

Secretary to the Board

There shall be a secretary to the Board. The main duties and responsibilities of the secretary to the Board shall include:

- to assist the directors in handling the day-to-day work of the Board; in charge of the office of the Board; to provide to, and remind the directors of the rules, policies and requirements of regulatory authorities in relation to the operation of the Bank and ensure that the directors understand them; in charge of the communication between the directors and the

Bank to ensure that the directors obtain the information and documents necessary for their performance of duties; to assist the directors and president in complying with the relevant provisions of the laws, administrative regulations, departmental rules, provisions of the relevant regulatory authorities, the Articles of Association and other relevant requirements when exercising their functions and powers;

- to prepare and submit the reports and documents requested by the relevant regulatory authorities;
- to organize and prepare board meetings and shareholders' general meetings and the relevant meeting files, to keep meeting records, to ensure the decision-making at the meetings in compliance with the statutory procedures and to understand proactively the implementation of resolutions of the Board; to reply questions raised by directors in relation to meeting procedure and applicable rules;
- to prepare the documents for the Board and the relevant rules; to ensure complete constitutional documents and records of the Bank;
- to organize and arrange a comprehensive, formal and specially produced inaugural guideline for every newly appointed director on the first occasion of his/her appointment, and subsequently to provide the newly appointed director with necessary introduction and professional development to ensure the newly appointed director has a proper understanding to operations and business of the Bank and a full awareness of his/her own duties and responsibilities under laws and administrative regulations, departmental rules, provisions of the relevant regulatory authorities as well as the business and management policies of the Bank;
- to coordinate information disclosure of the Bank, and to enhance the information transparency of the Bank;
- to coordinate and organize market promotion; to coordinate reception of visitors and handle investor relations, and to keep communications between the Bank and regulatory authorities, investors, intermediary institutions and news media; and to coordinate public relations;
- to organize the preparation and timely submission of the files required by the securities regulatory authorities of the place where the Bank's shares are listed, to receive and complete the assigned tasks by the securities regulatory authorities of the place where the Bank's shares are listed as the contact person between the Bank and the securities regulatory authorities of the place where the Bank's shares are listed;
- to ensure the Bank's register of members are properly maintained, and to ensure the relevant records and files available in a timely manner to those who are entitled to access the relevant files and records;
- to manage the information of the Bank's shareholders, and to ensure the identities of independent directors are clearly stated in all the Bank's communications containing the names of the directors; and
- other functions and powers as prescribed in the laws, administrative regulations, departmental rules, provisions of the relevant regulatory authorities, the Articles of Association and authorized by the Board.

Board of Supervisors

The Bank has established the Board of Supervisors. The Board of Supervisors shall exercise by laws the following functions and duties:

- to review the regular reports prepared by the Board and to provide comments on the reports in writing;
- to supervise the duty performance of the Board and senior management;
- to supervise the duty performance of directors, chairman and senior managers and their activities in violation of laws, administrative regulations or the Articles of Association when performing their duties in the Bank;
- to carry out an audit, if required, to any resigning director or senior management;
- to urge directors and senior management to correct their acts which impair the benefits of the Bank;
- to inspect and supervise the financial activities of the Bank;
- to supervise and review the business decisions, risk management and internal control of the Bank, and to urge for rectification;
- to make proposals to remove or to bring actions against directors and senior management according to laws if they breach any applicable laws, administrative regulations, Articles of Association of the Bank or the resolutions of the shareholders' general meeting;
- to propose the convening of interim shareholders' general meetings, and, if the Board fails to convene and preside over such a meeting as required under the Company Law, to convene and preside over the shareholders' general meetings;
- to submit proposals to the shareholders' general meeting;
- to propose to convene an interim board meeting;
- to check the financial reports, operation reports, profit distribution plan and other financial information the Board intends to submit to the shareholders' general meeting, and to investigate if in doubt or discovering any irregularities in the operations of the Bank, and (if necessary) may engage accounting firms, law firms or other professional firms to assist its work at the costs of the Bank;
- to propose remuneration arrangements of Supervisors; and
- other functions and powers as prescribed in the laws, administrative regulations, departmental rules, provisions of the relevant regulatory authorities, the Articles of Association and authorized by the shareholders' general meetings.

The supervisors may present at meetings of the Board, Board Committees and senior management, and shall have the rights to raise questions or suggestions to resolutions except the voting right. The supervisors present at the meeting shall make corresponding report to the Board of Supervisors.

President

The president shall be responsible to the Board and exercise the following functions and duties:

- in charge of daily operation and management of the Bank, organizing the implementation of the resolutions of the Board and to report his/her work to the Board;
- to submit the annual operation plans and investment proposals to the Board, and to organize the implementation upon approval;
- to draft plans for the establishment of internal management structure;
- to formulate the basic management system;
- to formulate specific regulations of the Bank;
- to propose to the Board the appointment or dismissal of vice president(s) and other senior management;
- to decide the appointment or dismissal of persons in charge of internal functional departments and branches of the Bank (other than those required to be appointed or dismissed by the Board);
- to authorize senior management, persons in charge of internal functional departments and branches to engage in operating activities;
- to formulate proposals of our annual financial budgets, final accounts, profit distribution and loss appropriation plan, plans of increase or reduction of registered capital, issuance of bonds or other marketable securities and listing plan, and make recommendations to the Board;
- to approve the general related party transactions;
- to decide the appointment and dismissal of employees and to determine their salaries, benefits and punishment;
- to develop emergency response and risk prevention plans, and to take contingency measures where there is a material emergency and to immediately report to the Board, the Board of Supervisors and the banking regulatory authorities; and
- other functions and powers as prescribed in the laws, administrative regulations, departmental rules, provisions of the relevant regulatory authorities, the Articles of Association and authorized by the Board.

The president who is not a director shall be present at meetings of the Board, but have no voting rights at such meetings of the Board.

Dispute Resolutions

The Bank shall comply with the following rules of dispute resolution:

- Whenever any disputes or claims relating to the affairs of the Bank arise from the rights and obligations provided for in the Articles of Association of the Bank, the Company Law and other relevant laws and administrative regulations, between the shareholders of overseas-listed shares and the Bank, between the shareholders of overseas-listed shares and the directors, supervisors and senior managers of the Bank, between the shareholders of overseas-listed shares and other shareholders, the parties involved shall refer such disputes or claims to arbitration.

- The disputes or claims mentioned above which are referred to arbitration shall be the entire dispute and claim; all persons having a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of the disputes or claims, if they are, shareholders of the Bank, directors, supervisors, or senior managers of the Bank, shall abide by such arbitration.
- Disputes over the definition of a shareholder and over the register of shareholders need not be resolved through arbitration.
- The party seeking arbitration may elect to have the dispute or claim arbitrated either by the China International Economic and Trade Arbitration Commission according to its arbitration rules or by the Hong Kong International Arbitration Centre according to its securities arbitration rules. Once the party seeking arbitration submits a dispute or claim to arbitration, the other party shall submit to the arbitral body selected by the party seeking arbitration.
- If the party seeking arbitration elects to arbitrate at the Hong Kong International Arbitration Centre, either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.
- The laws of the PRC shall govern the arbitration of disputes or claims described in above unless otherwise provided by the laws, administrative regulations, departmental regulations and regulatory documents.

The ruling of the arbitral body shall be final and binding on the parties thereto.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. INCORPORATION

Our Bank was incorporated in the PRC as a joint stock limited liability company on April 4, 1997 under the Company Law. Our current registered address is at Block A, Tianhui Building, No. 79, Anqing Road, Hefei, China. We have registered a place of business in Hong Kong at 3907-08, 39/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and as a non-Hong Kong company on October 21, 2013 under Part XI of the Companies Ordinance. Dr. Ngai Wai Fung has been appointed as our agent for the acceptance of service of process and notices in Hong Kong. The address for service of process on our Bank in Hong Kong is same as our principal place of business. Our Bank's banking business is conducted in the PRC under the supervision and regulation of the CBRC and the PBOC. Our Bank is not an authorized institution within the meaning of the Banking Ordinance, thus not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking/deposit-taking business in Hong Kong.

As our Bank was established in the PRC, we operate subject to the relevant laws and regulations of the PRC and our constitution which comprises our Articles of Association. Certain aspects of the relevant laws and regulations of the PRC, and a summary of certain provisions of our Articles of Association are set out in Appendices VI and VII to this document, respectively.

2. CHANGES IN THE SHARE CAPITAL

The Bank

As of the date of our incorporation, the initial registered capital of our Bank was RMB268 million divided into 268,000,000 domestic shares of nominal value of RMB1.00 each, all of which were credited as fully paid up and were held by our Promoters.

On September 24, 2003, the registered capital of our Bank increased from RMB268 million to RMB500 million, and on December 28, 2005, with the approval of relevant PRC governmental authorities, our Bank's registered capital increased from RMB500 million to RMB2.5 billion. On July 8, 2008, the registered capital of our Bank increased from RMB2.5 billion to RMB3.175 billion, and on December 15, 2008, the registered capital of our Bank further increased from RMB3.175 billion to RMB8.175 billion.

4. SUBSIDIARY OF OUR BANK

(a) The information about our sole subsidiary is set out in the Accountant's Report in Appendix I to this document;

(b) On June 25, 2013, Jinzhai Huiyin Rural Bank Co. Ltd., a company incorporated in the PRC, commenced its operations with a registered capital of RMB80 million, in which 41% was held by the Bank; and

(c) Save as disclosed above, there was no change in the registered capital of our subsidiary during the two years preceding the date of this document.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. SUMMARY OF MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Bank within the two years preceding the date of this document and are or may be material:

(a) the Promoters' Agreement of Jinzhai Huiyin Rural Bank Co. Ltd. dated March 22, 2013 entered into among our Bank, Anhui Guoyuan Investment Co. Ltd., Anhui Jinan Stainless Steel Casting Co. Ltd., Anhui Heyi Food Co. Ltd., Shi Chunxia, Zhang Huai'an and Li Haiyan pursuant to which the parties agreed to establish a joint venture with a registered capital of RMB80 million;

(b) the Supplemental Promoters' Agreement of Jinzhai Huiyin Rural Bank Co. Ltd. dated June 15, 2013 entered into among our Bank, Anhui Guoyuan Investment Co. Ltd., Anhui Jinan Stainless Steel Casting Co. Ltd., Anhui Heyi Food Co. Ltd., Shi Chunxia, Zhang Huai'an and Guan Houlong pursuant to which the parties agreed that the shareholding held by Li Haiyan shall be transferred to Guan Houlong; and

(c) [●]

2. INTELLECTUAL PROPERTY RIGHTS

Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which are material in relation to our Bank's business:

Trademark	Place of Registration	Class	Registration Number	Registration Date	Expiry Date
	PRC	35	7841387	February 7, 2011	February 6, 2021
	PRC	36	7841420	March 7, 2011	March 6, 2021
	PRC	37	7841493	March 7, 2011	March 6, 2021
	PRC	38	7841528	March 7, 2011	March 6, 2021
	PRC	39	7841562	March 14, 2011	March 13, 2021
	PRC	40	7843907	March 7, 2011	March 6, 2021
	PRC	41	7843947	March 14, 2011	March 13, 2021
	PRC	43	7844020	February 7, 2011	February 6, 2021
	PRC	45	7844039	February 7, 2011	February 6, 2021
	PRC	42	7843972	September 14, 2011	September 13, 2021
	PRC	36	5332267	October 21, 2009	October 20, 2019
	PRC	9	7841289	September 7, 2012	September 6, 2022
	PRC	36	3515645	April 28, 2005	April 27, 2015
徽行天下	PRC	16	7844069	January 14, 2011	January 13, 2021
雏鹰	PRC	36	7844102	March 7, 2011	March 6, 2021
黄 山	PRC	36	1667825	November 14, 2001	November 13, 2021
徽商银行	PRC	36	10173645	June 21, 2012	June 20, 2022
徽商银行 HUISHANG BANK	PRC	36	10173624	June 21, 2012	June 20, 2022
徽商银行 HUISHANG BANK	PRC	36	10173590	June 21, 2012	June 20, 2022
徽贷通	Hong Kong	36	302627190	June 3, 2013	June 2, 2023

Trademark	Place of Registration	Class	Registration Number	Registration Date	Expiry Date
	Hong Kong	36	302627235	June 3, 2013	June 2, 2023
	Hong Kong	36	302627235	June 3, 2013	June 2, 2023
	Hong Kong	36	302627172	June 3, 2013	June 2, 2023

As at the Latest Practicable Date, we have duly applied to register the following logo and trademarks which are material in relation to our Bank's business:

Trademark	Place of Registration	Class	Application Number	Application Date
徽商银行 HUISHANG BANK	Hong Kong	36	302627299	June 3, 2013
徽商银行 HUISHANG BANK	Hong Kong	36	302627299	June 3, 2013
徽商银行 HUISHANG BANK	Hong Kong	36	302627299	June 3, 2013
徽商银行 HUISHANG BANK	Hong Kong	36	302627299	June 3, 2013
徽商银行 HUISHANG BANK	Hong Kong	36	302627271	June 3, 2013
徽商银行 HUISHANG BANK	Hong Kong	36	302627271	June 3, 2013
徽商银行 HUI SHANG BANK	Hong Kong	36	302627253	June 3, 2013
徽商银行 HUI SHANG BANK	Hong Kong	36	302627253	June 3, 2013

Trademark	Place of Registration	Class	Application Number	Application Date
徽商银行 HUISHANG BANK	Hong Kong	36	302627226	June 3, 2013
徽商银行	Hong Kong	36	302627217	June 3, 2013

The class number represents the specifications of products or services which have already been registered or are in the process of registration. Detailed specifications of the products or services represented by that class number are set out in the relevant registration certificates or application forms.

Domain Names

As of the Latest Practicable Date, we have registered the following domain names:

Domain Name	Registration Date	Expiry Date
徽商銀行股份有限公司.com	November 17, 2009	November 17, 2019
徽商銀行股份有限公司.net	November 17, 2009	November 17, 2019
徽商銀行股份有限公司.公司	November 17, 2009	November 17, 2019
徽商銀行股份有限公司.cc	November 17, 2009	November 17, 2019
徽商銀行股份有限公司	November 17, 2009	November 17, 2019
徽商銀行股份有限公司	November 20, 2009	November 20, 2019
中國徽商銀行.中國	January 16, 2006	January 16, 2016
中國徽商銀行	November 20, 2009	November 20, 2019
中國徽商銀行	January 16, 2006	January 16, 2016
中國徽商銀行.com	November 17, 2009	November 17, 2019
中國徽商銀行.net	November 17, 2009	November 17, 2019
中國徽商銀行.公司	November 23, 2009	November 23, 2019
中國徽商銀行.cc	November 16, 2009	November 16, 2019
徽商銀行	April 27, 2007	April 27, 2017
徽商銀行.cc	June 19, 2008	June 19, 2018
徽商銀行.網路	July 21, 2008	July 21, 2018
徽商銀行.tm	July 26, 2008	July 26, 2018
徽商銀行.公司	July 21, 2008	July 21, 2018
徽商銀行.biz	November 17, 2009	November 17, 2019
智匯360.com	November 17, 2009	November 17, 2019
智匯360.net	November 17, 2009	November 17, 2019
智匯360.cn	November 17, 2009	November 17, 2019
智慧理財.com	November 17, 2009	November 17, 2019
智慧理財.net	November 17, 2009	November 17, 2019
智慧理財.cn	November 17, 2009	November 17, 2019
數碼銀行.com	November 17, 2009	November 17, 2019
數碼銀行.cn	November 17, 2009	November 17, 2019
數碼銀行.net	November 17, 2009	November 17, 2019
huishangyinhang.com	August 14, 2009	August 14, 2015
huishangyinhang.net	August 14, 2009	August 14, 2015
huishangyinhang.cc	August 14, 2009	August 14, 2015
huishangyinhang	November 17, 2009	November 17, 2019
huishangyinhang	November 17, 2009	November 17, 2019
huishangyinhang.com.cn	September 8, 2011	September 8, 2015

Domain Name	Registration Date	Expiry Date
huishangyinhang.cn	September 8, 2011	September 8, 2015
huishangbank.com.cn	January 21, 2007	January 21, 2015
huishangbank.net	July 18, 2008	July 18, 2018
huishangbank.cc	July 18, 2008	July 18, 2018
huishangbank	July 22, 2008	July 22, 2018
huishangbank	November 17, 2009	November 17, 2019
hsbank.com.cn	December 6, 2005	December 6, 2014
hsbank.cc	February 14, 2007	February 14, 2014
hsbank	July 22, 2008	July 22, 2019
hsbank	November 17, 2009	November 17, 2019
黃山卡.中國	January 25, 2006	January 25, 2016
黃山卡	January 16, 2006	January 16, 2016
黃山卡	April 2, 2008	April 2, 2018
黃山卡.cc	June 19, 2008	June 19, 2018
黃山卡.com	June 19, 2008	June 19, 2018
黃山卡.net	June 19, 2008	June 19, 2018
黃山卡.公司	July 18, 2008	July 18, 2018
黃山卡.網路	July 18, 2008	July 18, 2018
96588	April 2, 2008	April 2, 2018
96588	July 13, 2008	July 13, 2018
bankofhuishang.com.cn	May 15, 2007	May 15, 2015
bankofhuishang.com	March 8, 2008	March 8, 2017
bankofhuishang.net.cn	July 13, 2009	July 13, 2015
bankofhuishang.net	July 18, 2008	July 18, 2018
bankofhuishang.cc	July 18, 2008	July 18, 2018
bohs.com.cn	May 15, 2007	May 15, 2015
bohs.cc	July 18, 2008	July 18, 2018
hsbccc.cn	July 18, 2008	July 18, 2018
hsbccc.com.cn	July 18, 2008	July 18, 2018

Except as disclosed in this sub-section headed "Intellectual Property Rights" there are no other trade or service marks, patents, other intellectual property rights which are or may be material in relation to our business.

3. OUR DEPOSITORS AND BORROWERS

Our five largest depositors and five largest borrowers accounted for less than 30% of our respective total deposits and loans and advances as at the Latest Practicable Date.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

5. SERVICE CONTRACTS

We have entered into a service contract with each of our Directors and Supervisors containing terms relating to, among other things, compliance with relevant laws and regulations, observation of the Articles of Association and arbitration. Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as directors/supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

6. DIRECTORS' AND SUPERVISORS' REMUNERATION

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were accrued to our Directors and Supervisors for the year ended December 31, 2012 were RMB13,453,000.

Under the arrangements currently in force, the aggregate remuneration payable to, and benefits in kind receivable by, our Directors and Supervisors for the year ending December 31, 2013 are estimated to be approximately RMB12,734,195.

8. DISCLAIMERS

Save as disclosed in the section headed "Directors, Supervisors and Senior Management" and paragraph C1 of this Appendix in this document:

(a) none of the Directors, Supervisors and any of the parties listed in paragraph D6 of this Appendix is:

  (i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this document, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Bank;

  (ii) materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

(b) save in connection with certain agreements, none of the parties listed in paragraph D6 of this Appendix:

  (i) is interested legally or beneficially in any of our shares or our securities; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our shares or any of our securities;

(c) none of our Directors or Supervisors or their associates or any shareholders of our Bank who to the knowledge of the Directors owns more than 5% of our issued share capital has any interest in our five largest depositors;

(d) none of our Directors or Supervisors is a director or employee of a company which has an interest in the share capital of the Bank which, once certain event takes place, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

D. OTHER INFORMATION

1. ESTATE DUTY

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Bank.

2. LITIGATION

Save as disclosed in this document, no member of our Bank was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against any member of our Bank as of the Latest Practicable Date.

4. PROMOTERS

The Promoters comprised 31 credit cooperatives and 10 shareholders. See section headed "Our History, Restructuring and Operational Reform."

Save for certain event and as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities, amount or other benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the Promoters named above in connection with certain event or the related transactions described in this document.

10. NO MATERIAL ADVERSE CHANGE

Our Directors believe that there has been no material adverse change in our financial or trading position or prospects since June 30, 2013.

11. BILINGUAL DOCUMENT

The English language and the Chinese language versions of this document are being published separately.

E. MISCELLANEOUS

(a) Save as disclosed in paragraph 1B of this Appendix, within the two years preceding the date of this document: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash, and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Bank.

(b) No share or loan capital of our Bank is under option or is agreed conditionally or unconditionally to be put under option.

(c) We have not issued nor agreed to issue any founder shares, management shares or deferred shares.

(d) There are no arrangements under which future dividends are waived or agreed to be waived.

(e) There are no procedures for the exercise of any right of pre-emption or transferability of subscription rights.

(f) There are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business.

(g) There have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months.

(h) We have no outstanding convertible debt securities.

(i) We currently do not intend to apply for the status of a Sino-foreign investment joint stock limited company and do not expect to be subject to the Sino-foreign Joint Venture Law of the PRC.