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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

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<u>Year</u>	<u>Awards</u>	<u>Events/Organizers/Media</u>
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

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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%,

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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 a 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.

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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 nationwide 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

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- 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.

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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

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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

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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,

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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

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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.

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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

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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.

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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	<u>24,929</u>	<u>100.0%</u>	<u>30,616</u>	<u>100.0%</u>	<u>35,080</u>	<u>100.0%</u>	<u>41,845</u>	<u>100.0%</u>

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” (“徽贷通”) 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” (“徽贷通”) 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

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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.

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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

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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.

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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

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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 minimum 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.

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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*.

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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.

Region	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	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
Huaipei	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

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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, Nationwide 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.

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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:

	<u>As of June 30, 2013</u>	
	<u>Number of employees</u>	<u>% of total</u>
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	<u>1,542</u>	<u>34.2</u>
Total	<u>4,515</u>	<u>100.0%</u>

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

	<u>As of June 30, 2013</u>	
	<u>Number of employees</u>	<u>% of total</u>
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	<u>147</u>	<u>3.3</u>
Total	<u>4,515</u>	<u>100.0%</u>

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

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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.

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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.

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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

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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 by section 5.01A of the Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

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 Track Record Period 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.

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Tax authorities

- During the Track Record Period 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 Track Record Period 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

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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 Track Record Period 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 Track Record Period 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 Track Record Period. For the details of our anti-money laundering measures, see "Risk Management—Legal and Compliance Risk Management—Anti-Money Laundering."