

ASSETS AND LIABILITIES

The following discussion and analysis should be read in conjunction with our consolidated financial statements included in the Accountant's Report in Appendix I, the unaudited supplementary financial information in Appendix II and the selected financial data, in each case together with the accompanying notes, included elsewhere in this prospectus. The consolidated financial statements have been prepared in accordance with IFRS.

ASSETS

As of June 30, 2013, total assets amounted to RMB409,587 million, an increase of 26.3% from RMB324,224 million as of December 31, 2012. Total assets increased by RMB67,242 million in 2012 and RMB48,006 million in 2011, representing a 26.2% and 23.0% increase over 2011 and 2010, respectively. The table below sets forth the components of total assets as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Loans and advances to customers, total	117,034	56.0%	137,413	53.5%	163,795	50.5%	183,057	44.7%
Allowance for impairment losses	(2,976)	(1.4)	(3,490)	(1.4)	(3,853)	(1.2)	(4,191)	(1.0)
Loans and advances to customers, net	114,058	54.6	133,923	52.1	159,941	49.3	178,866	43.7
Financial assets held under resale agreements	10,543	5.1	5,317	2.1	38,198	11.8	92,281	22.5
Investment securities and financial assets held for trading ⁽¹⁾	43,663	20.9	47,812	18.6	57,056	17.6	68,936	16.8
Cash and balances with central bank	34,580	16.5	55,829	21.7	57,649	17.8	59,650	14.6
Due from banks and other financial institutions ⁽²⁾	1,496	0.7	7,076	2.8	3,834	1.2	4,167	1.0
Placements with and loans to banks and other financial institutions ⁽³⁾	1,237	0.6	3,581	1.4	2,813	0.9	893	0.2
Other assets ⁽⁴⁾	3,399	1.6	3,444	1.3	4,733	1.5	4,794	1.2
Total assets	208,976	100.0%	256,982	100.0%	324,224	100.0%	409,587	100.0%

Notes:

- (1) Includes available-for-sale financial assets, held-to-maturity investments, loans and receivables and financial assets held for trading.
- (2) Due from banks and other financial institutions are net of allowances for impairment losses in the amounts of RMB6 million as of each of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively.
- (3) Placements with and loans to banks and other financial institutions are net of allowances for impairment losses in the amounts of RMB49 million, RMB48 million, RMB38 million and RMB34 million as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively.
- (4) Primarily consists of interest receivables, property, plant and equipment, deferred income tax assets, investment in associates and derivative financial assets.

Loans and Advances to Customers

Loans and advances to customers are the largest component of total assets. We provide a broad range of loan products to customers through our branch network, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of allowance for impairment losses,

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represented 54.6%, 52.1%, 49.3% and 43.7% of total assets as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively.

The following discussion is based on total loans and advances to customers before taking into account the related allowance for impairment losses. Loans and advances to customers are reported net of allowance for impairment losses on our consolidated statement of financial position.

As of June 30, 2013, total loans and advances to customers amounted to RMB183,057 million, an increase of 11.8% from RMB163,795 million as of December 31, 2012. Total loans and advances to customers increased by RMB26,382 million in 2012 and RMB20,379 million in 2011, representing a 19.2% and 17.4% increase over 2011 and 2010, respectively.

Loans and Advances to Customers by Product Type

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

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate loans	87,550	74.8%	100,337	73.0%	116,808	71.3%	131,181	71.7%
Retail loans	24,929	21.3	30,616	22.3	35,080	21.4	41,845	22.9
Discounted bills	4,555	3.9	6,460	4.7	11,907	7.3	10,031	5.4
Total loans and advances to customers	117,034	100.0%	137,413	100.0%	163,795	100.0%	183,057	100.0%

Corporate loans are the largest component of our loan portfolio. In recent years, we have also increased our efforts to expand our retail loan business. Both corporate loans and retail loans grew during the Track Record Period. Discounted bills are an important component of our loan portfolio. We adjust our position in discounted bills to manage our loan scale and liquidity.

Corporate Loans

Corporate loans represented 74.8%, 73.0%, 71.3% and 71.7% of total loans and advances to customers as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The table below sets forth corporate loans by product type as of the dates indicated.

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

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As of June 30, 2013, corporate loans amounted to RMB131,181 million, an increase of 12.3% from RMB116,808 million as of December 31, 2012. Corporate loans increased by 14.6% from RMB87,550 million as of December 31, 2010 to RMB100,337 million as of December 31, 2011 and further increased by 16.4% to RMB116,808 million as of December 31, 2012. The increases in corporate loans were primarily the result of increased market demand for corporate loans driven by Anhui's strong economic growth.

As of June 30, 2013, short-term loans amounted to RMB76,975 million, an increase of 20.8% from RMB63,731 million as of December 31, 2012. Short-term loans increased by 24.5% from RMB47,731 million as of December 31, 2010 to RMB59,427 million as of December 31, 2011 and further increased by 7.2% to RMB63,731 million as of December 31, 2012. Short-term loans as a percentage of total corporate loans increased from 54.5% as of December 31, 2010 to 58.7% as of June 30, 2013, primarily reflecting (i) an increase in loans to the commercial trading and logistics industries, which generally are short-term in nature and (ii) our efforts to adjust the proportion of short-term loans in our loan portfolio to match the maturity profile of our liabilities.

As of June 30, 2013, medium- and long-term loans amounted to RMB54,206 million, an increase of 2.1% from RMB53,077 million as of December 31, 2012. Medium- and long-term loans increased by 2.7% from RMB39,819 million as of December 31, 2010 to RMB40,910 million as of December 31, 2011 and further increased by 29.7% to RMB53,077 million as of December 31, 2012. Medium- and long-term loans as a percentage of total corporate loans decreased from 45.4% as of December 31, 2012 to 41.3% as of June 30, 2013, primarily reflecting our efforts to adjust the proportion of long-term loans in our loan portfolio to match the maturity profile of our liabilities. Medium- and long-term loans as a percentage of total corporate loans increased from 40.8% as of December 31, 2011 to 45.4% as of December 31, 2012, primarily due to an increase in syndicated loans, which are generally long-term loans.

Corporate Loans by Industry

We classify our corporate loan portfolio based on the industry classification promulgated by the NBS. The table below sets forth corporate loans by industry as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Commerce and services	17,440	19.8%	23,455	23.3%	33,594	28.9%	40,052	30.6%
Manufacturing	23,726	27.1	31,512	31.4	36,212	31.0	39,571	30.2
Public utilities	23,880	27.3	19,253	19.2	12,507	10.7	13,557	10.3
Real estate	6,028	6.9	6,188	6.2	9,344	8.0	11,628	8.9
Construction	5,039	5.8	7,589	7.6	9,934	8.5	11,604	8.8
Energy and chemical	3,880	4.4	4,742	4.7	4,825	4.1	4,374	3.3
Transportation	3,534	4.0	3,284	3.3	4,486	3.8	3,892	3.0
Education and media	1,621	1.9	1,479	1.5	1,657	1.4	2,364	1.8
Catering and tourism	1,155	1.3	1,336	1.3	1,549	1.3	1,508	1.1
Finance	746	0.9	803	0.8	1,575	1.3	980	0.7
Others ⁽¹⁾	501	0.6	696	0.7	1,125	1.0	1,651	1.3
Total corporate loans	87,550	100.0%	100,337	100.0%	116,808	100.0%	131,181	100.0%

Note:

(1) Primarily consists of farming, forestry, husbandry and fishing industries.

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Loans to borrowers in the commerce and services, manufacturing, public utilities, real estate and construction industries represented the largest components of our corporate loan portfolio. Loans to these five industries accounted for 86.9%, 87.7%, 87.1% and 88.8% of total corporate loans as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively.

Loans to the commerce and services industry represented the largest component of our corporate loan portfolio, reflecting our efforts to expand our trade finance business to capitalize on the growth of the commercial trading and logistics industries. As of December 31, 2010, 2011 and 2012 and June 30, 2013, loans to the commerce and services industry accounted for 19.8%, 23.3%, 28.9% and 30.6% of total corporate loans, respectively.

Loans to the manufacturing industry accounted for a significant portion of our corporate loans, primarily reflecting increased financing activities of manufacturing enterprises in Anhui driven by the acceleration of Anhui's industrialization process. As of December 31, 2010, 2011 and 2012 and June 30, 2013, loans to the manufacturing industry accounted for 27.1%, 31.4%, 31.0% and 30.2% of total corporate loans, respectively.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, loans to the public utilities industry accounted for 27.3%, 19.2%, 10.7% and 10.3% of total corporate loans, respectively. The decreases in loans to the public utilities industry as a percentage of our corporate loan portfolio primarily reflected our efforts to manage our credit exposure to local government financing vehicles.

Loans to the real estate industry accounted for 6.9%, 6.2%, 8.0% and 8.9% of total corporate loans as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The increases in loans to the real estate industry as a percentage of our corporate loan portfolio were primarily attributable to our focus on increasing lending for developments of small- and medium-sized residential units and affordable housing projects, which are encouraged by the PRC government.

Corporate Loans by Size of Borrowers

The table below sets forth corporate loans by size of borrowers as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	(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	<u>87,550</u>	<u>100.0%</u>	<u>100,337</u>	<u>100.0%</u>	<u>116,808</u>	<u>100.0%</u>	<u>131,181</u>	<u>100.0%</u>

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Corporate Loans by Credit Exposure

The table below sets forth corporate loans by credit exposure as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Up to RMB10 million	15,689	17.9%	16,850	16.8%	18,152	15.5%	19,009	14.5%
Over RMB10 million to RMB50 million	20,430	23.4	27,770	27.7	35,220	30.1	39,547	30.2
Over RMB50 million to RMB100 million	8,092	9.2	9,471	9.4	11,432	9.8	11,496	8.8
Over RMB100 million to RMB500 million	28,708	32.8	30,668	30.6	35,349	30.3	41,122	31.3
Over RMB500 million to RMB1 billion	10,056	11.5	10,581	10.5	13,141	11.3	15,401	11.7
Over RMB1 billion	4,575	5.2	4,997	5.0	3,514	3.0	4,606	3.5
Total corporate loans	87,550	100.0%	100,337	100.0%	116,808	100.0%	131,181	100.0%

Retail loans

Retail loans represented 21.3%, 22.3%, 21.4% and 22.9% of total loans and advances to customers as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The table below sets forth retail loans by product type as of the dates indicated.

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

As of June 30, 2013, retail loans amounted to RMB41,845 million, an increase of 19.3% from RMB35,080 million as of December 31, 2012. Retail loans increased by 22.8% from RMB24,929 million as of December 31, 2010 to RMB30,616 million as of December 31, 2011 and further increased by 14.6% to RMB35,080 million as of December 31, 2012.

As of June 30, 2013, residential mortgage loans amounted to RMB25,753 million, an increase of 20.7% from RMB21,333 million as of December 31, 2012. Residential mortgage loans increased by 27.4% from RMB15,291 million as of December 31, 2010 to RMB19,474 million as of December 31, 2011 and further increased by 9.5% to RMB21,333 million as of December 31, 2012. The increases in residential mortgage loans were primarily due to strong market demand for residential mortgage loans in Anhui, as well as our focus on increasing lending to first-time home purchasers.

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As of June 30, 2013, personal business loans amounted to RMB13,870 million, an increase of 15.7% from RMB11,985 million as of December 31, 2012. Personal business loans increased by 26.4% from RMB7,723 million as of December 31, 2010 to RMB9,762 million as of December 31, 2011 and further increased by 22.8% to RMB11,985 million as of December 31, 2012. The increases in personal business loans primarily reflected our focus on developing our personal revolving loan business, particularly, our introduction of “Huidaitong” loan product in 2012 as part of our marketing efforts.

As of June 30, 2013, the balances of credit card overdrafts amounted to RMB1,233 million, an increase of 77.4% from RMB695 million as of December 31, 2012. The balances of credit card overdrafts increased by 64.8% from RMB54 million as of December 31, 2010 to RMB89 million as of December 31, 2011 and further increased by 680.9% to RMB695 million as of December 31, 2012. The increases in the balances of credit card overdrafts were in line with the expansion of our credit card business.

As of June 30, 2013, personal consumption loans amounted to RMB989 million, a decrease of 7.3% from RMB1,067 million as of December 31, 2012. Personal consumption loans decreased by 30.6% from RMB1,861 million as of December 31, 2010 to RMB1,291 million as of December 31, 2011 and further decreased by 17.4% to RMB1,067 million as of December 31, 2012.

Retail Loans by Credit Exposure

The table below sets forth retail loans by credit exposure as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Up to RMB500,000	20,918	83.9%	24,076	78.7%	25,912	73.9%	29,744	71.1%
Over RMB500,000 to RMB1 million	2,385	9.6	3,195	10.4	3,688	10.5	4,455	10.7
Over RMB1 million to RMB10 million	1,551	6.2	3,224	10.5	5,187	14.8	7,342	17.5
Over RMB10 million	75	0.3	121	0.4	293	0.8	304	0.7
Total retail loans	24,929	100.0%	30,616	100.0%	35,080	100.0%	41,845	100.0%

Discounted Bills

Discounted bills represented 3.9%, 4.7%, 7.3% and 5.4% of total loans and advances to customers as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The table below sets forth discounted bills by product type as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Bank acceptance bills	3,744	82.2%	5,632	87.2%	11,316	95.0%	8,855	88.3%
Commercial acceptance bills	811	17.8	828	12.8	591	5.0	1,176	11.7
Total discounted bills	4,555	100.0%	6,460	100.0%	11,907	100.0%	10,031	100.0%

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Discounted bills amounted to RMB4,555 million, RMB6,460 million, RMB11,907 million and RMB10,031 million as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The changes in the balance of discounted bills primarily reflected our efforts to manage our loan scale and liquidity.

Bank acceptance bills generally present lower credit risk than commercial acceptance bills, whereas commercial acceptance bills bear higher discount rates. Bank acceptance bills accounted for 82.2%, 87.2%, 95.0% and 88.3% of total discounted bills as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The changes in bank acceptance bills as a percentage of total discounted bills primarily reflected our adjustments of the composition of our discounted bill portfolio to balance risk and return.

Loans and Advances to Customers by Geography

We classify loans and advances to customers based on the geographic location of the branch that originates the loan. Our branches generally extend loans to borrowers located in their respective geographical areas. The table below sets forth loans and advances to customers by geography as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Anhui	109,073	93.2%	128,197	93.3%	153,198	93.5%	169,854	92.8%
Jiangsu	7,961	6.8	9,216	6.7	10,597	6.5	13,203	7.2
Total loans and advances to customers	<u>117,034</u>	<u>100.0%</u>	<u>137,413</u>	<u>100.0%</u>	<u>163,795</u>	<u>100.0%</u>	<u>183,057</u>	<u>100.0%</u>

We conducted all of our business activities in Anhui Province prior to 2009. In April 2009, we expanded our business into Nanjing, Jiangsu Province. As of December 31, 2010, 2011 and 2012 and June 30, 2013, loans originated in Jiangsu accounted for 6.8%, 6.7%, 6.5% and 7.2% of total loans and advances to customers, respectively.

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Loans and Advances to Customers by Collateral

Collateralized loans, pledged loans and guaranteed loans represented, in the aggregate, 88.3%, 88.2%, 91.7% and 92.6% of total loans and advances to customers as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. If a loan is secured by more than one form of security interest, the allocation is based on the primary form of security interest. The table below sets forth loans and advances to customers by the type of collateral as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Collateralized loans	54,557	46.6%	61,194	44.6%	75,940	46.3%	90,854	49.6%
Pledged loans	6,760	5.8	11,720	8.5	20,319	12.4	19,769	10.8
Guaranteed loans	41,992	35.9	48,251	35.1	54,000	33.0	58,953	32.2
Unsecured loans	13,725	11.7	16,248	11.8	13,536	8.3	13,481	7.4
Total loans and advances to customers	<u>117,034</u>	<u>100.0%</u>	<u>137,413</u>	<u>100.0%</u>	<u>163,795</u>	<u>100.0%</u>	<u>183,057</u>	<u>100.0%</u>

We extend unsecured loans to customers with relatively high credit ratings based on our internal credit risk rating system. Since 2012, we have implemented stricter credit assessment standards for granting unsecured loans to reduce credit risk exposure. As a result, unsecured loans as a percentage of total loans and advances to customers decreased from 11.8% as of December 31, 2011 to 8.3% as of December 31, 2012 and further decreased to 7.4% as of June 30, 2013.

Collateralized loans and pledged loans are subject to loan-to-value ratio limits based on the type of collateral. We have been focusing on increasing the proportion of collateralized loans and pledged loans in our loan portfolio to reduce credit risk exposure. As a result, collateralized loans and pledged loans as a percentage of total loans and advances to customers increased from 52.4% as of December 31, 2010 to 60.4% as of June 30, 2013.

As guaranteed loans are generally not secured by any assets of the guarantors, we have implemented stricter credit assessment standards for extending guaranteed loans. As a result, guaranteed loans as a percentage of total loans and advances to customer decreased from 35.9% as of December 31, 2010 to 32.2% as of June 30, 2013.

Borrower Concentration

PRC banking laws and regulations impose a lending limit of 10% of our regulatory capital to any single borrower. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our largest loan exposure to a single borrower was 9.1%, 6.4%, 5.0% and 4.6% of our regulatory capital, respectively. As of June 30, 2013, the aggregate amount of loans to our 10 largest single borrowers (excluding group borrowers) amounted to RMB9,440 million, accounting for 5.2% of total loans and advances to customers and 33.2% of our regulatory capital.

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The table below sets forth the loans to the 10 largest single borrowers (excluding group borrowers) as of June 30, 2013, all of which were classified as performing.

		As of June 30, 2013		
Industry		Amount	% of total loans	% of regulatory capital ⁽¹⁾
		(in millions of RMB, except percentages)		
Borrower A	Commerce and services	1,300	0.7%	4.6%
Borrower B	Public utilities	1,170	0.6	4.1
Borrower C	Manufacturing	1,146	0.6	4.0
Borrower D	Manufacturing	1,000	0.5	3.5
Borrower E	Public utilities	902	0.5	3.2
Borrower F	Commerce and services	872	0.5	3.1
Borrower G	Public utilities	833	0.5	2.9
Borrower H	Public utilities	802	0.4	2.8
Borrower I	Construction	715	0.4	2.5
Borrower J	Public utilities	700	0.4	2.5
Total		9,440	5.2%	33.2%

Note:

(1) Represents loan amounts as a percentage of our regulatory capital, calculated in accordance with the Provisional Administrative Measures for the Capital Management of Commercial Banks that became effective on January 1, 2013. For a calculation of our regulatory capital as of June 30, 2013, see “Financial Information—Capital Resources—Capital Adequacy.”

PRC banking guidelines impose a credit limit of 15% of our regulatory capital to any single group borrower. We have implemented policies and procedures designed to identify borrower applicants belonging to the same group in our credit approval process. As of June 30, 2013, the aggregate amount of loans to our 10 largest group borrowers (excluding single borrowers) amounted to RMB14,504 million, accounting for 8.0% of total loans and advances to customers and 50.9% of our regulatory capital.

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The table below sets forth the loans to the 10 largest group borrowers (excluding single borrowers) as of June 30, 2013, all of which were classified as performing.

		As of June 30, 2013		
		Amount	% of total loans	% of regulatory capital ⁽¹⁾
Industry		(in millions of RMB, except percentages)		
Borrower A	Energy and chemical	1,814	1.0%	6.4%
Borrower B	Public utilities	1,753	1.0	6.2
Borrower C	Public utilities	1,639	0.9	5.8
Borrower D	Energy and chemical	1,482	0.8	5.2
Borrower E	Construction	1,453	0.8	5.1
Borrower F	Public utilities	1,380	0.8	4.8
Borrower G	Commerce and services	1,372	0.7	4.8
Borrower H	Real Estate	1,293	0.7	4.5
Borrower I	Public utilities	1,263	0.7	4.4
Borrower J	Public utilities	1,055	0.6	3.7
Total		14,504	8.0%	50.9%

Note:

(1) Represents loan amounts as a percentage of our regulatory capital, calculated in accordance with the Provisional Administrative Measures for the Capital Management of Commercial Banks that became effective on January 1, 2013. For a calculation of our regulatory capital as of June 30, 2013, see “Financial Information—Capital Resources—Capital Adequacy.”

Maturity Profile of Our Loan Portfolio

The table below sets forth our loan products by remaining maturity as of June 30, 2013.

	As of June 30, 2013				
	Due in one year or less	Due between one and five years	Due over five years	Overdue ⁽¹⁾	Total
(in millions of RMB)					
Corporate loans	87,016	32,192	11,041	932	131,181
Retail loans	10,019	2,948	28,752	126	41,845
Discounted bills	10,031	—	—	—	10,031
Total loans and advances to customers	107,066	35,140	39,793	1,058	183,057

Note:

(1) Includes loans for which part or all of the principals is overdue.

As of June 30, 2013, 58.5% of total loans and advances to customers had maturities of one year or less. Loans due in one year or less primarily consisted of short-term corporate loans. The majority of our retail loans had remaining maturities of over five years, primarily because residential mortgage loans represented the largest component of our retail loan portfolio, which generally have longer terms.

Loan Interest Rate Profile

The PBOC regulates interest rates on deposits and loans. Prior to July 20, 2013, China’s commercial banks may negotiate interest rates on loans and deposits within a permitted range of the PBOC benchmark interest rates. Since July 20, 2013, China’s commercial banks have been allowed to determine their own lending rates (other than the interest rates on residential mortgage loans) based on

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prevailing market conditions. We generally set floating interest rates on medium- and long-term loans and we generally reset the interest rates of such loans (i) following a change to the applicable PBOC benchmark rates or (ii) in accordance with the terms of the loan agreements, which are determined based on our negotiation with customers and our assessment of customers' overall condition. We generally set fixed interest rates on loans with a maturity of one year or less.

Asset Quality of Our Loan Portfolio

We measure and monitor the asset quality of our loan portfolio through our loan classification system. We classify our loans using a five-category loan classification system based on the CBRC guidelines. See "Regulation and Supervision—Loan Classification, Allowance and Write-offs—Loan Classification." We have also adopted a 12-grade loan classification system for our corporate loans to further refine the five-category loan classification system, including four, three, two, two and one grade(s) for loans under the "pass," "special mention," "substandard," "doubtful" and "loss" categories, respectively. See "Risk Management—Credit Risk Management—Credit Risk Management for Corporate Loans" for a description of our internal loan classification system.

Loan Classification Criteria

We apply criteria derived from the CBRC guidelines in classifying our loan portfolio. These criteria are designed to assess the likelihood of repayment by a borrower and the collectability of principal and interest on a loan.

Corporate Loans and Discounted Bills

We classify corporate loans and discounted bills based on (i) the borrower's ability to repay the loan, (ii) the borrower's repayment history, (iii) the borrower's willingness to repay the loan, (iv) the profitability of the project financed by the loan, (v) the net realizable value of the collateral, (vi) guarantees provided for the loan and (vii) legal responsibilities for repayment of the loan. Set forth below are the key factors for each loan classification, which is not intended to be a complete list of all factors considered by us in classifying our loan portfolio.

Pass. We classify loans as "pass" if the borrower has been performing its obligations and there are no signs that the borrower will default on principal and interest.

Special mention. We classify loans as "special mention" if the borrower is currently able to make principal and interest payments, but there are potential weaknesses that may affect the borrower's ability to repay in the future, such as:

- decreases in cash flow and revenue or signs of insufficient liquidity;
- adverse market or industry developments that may affect the borrower's operations or ability to repay the loan;
- mergers, acquisitions, spin-offs, reorganization or asset restructuring;
- adverse changes to the borrower's principal shareholders, subsidiaries or senior management;
- budget overruns, changes in construction designs or delays in the schedules of projects financed by the loan;

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- decrease in collateral value, or loss of control over the collateral;
- material adverse changes to the guarantor's operations or financial conditions;
- failure of the borrower to use the loan for its intended purpose; or
- principal or interest payments overdue for 90 days or less.

Substandard. We classify loans as “substandard” if the borrower's revenues from normal business operation are insufficient to repay the loan, and losses (expected to be up to 40% of the outstanding loan balance) may ensue even after guarantees are enforced. Loans are generally classified as “substandard” under the following circumstances:

- the borrower is experiencing prolonged financial difficulties that affect its ability to continue its business;
- the borrower is unlikely to obtain new funding and is unable to service its debt obligations to other lenders;
- the borrower has obtained the loan through illegal means; or
- principal or interest payments overdue between 90 and 180 days.

Doubtful. We classify loans as “doubtful” if the borrower cannot repay principal and interest in full and significant losses (expected to be up to 80% of the outstanding loan balance) will ensue even after guarantees are enforced. Loans classified as “doubtful” generally exhibit the following characteristics:

- the borrower's operations have been wholly or partially suspended;
- the fixed asset projects financed by the loan are suspended or halted;
- the borrower is insolvent and is unable to repay the loan;
- we have taken legal measures but expect to incur significant losses even after the exercise of legal remedies; or
- principal or interest payments overdue for more than 180 days.

Loss. We classify loans as “loss” if none, or only a minimal amount of principal and interest is likely to be collectible after exhausting all collection efforts and taking advantage of all available legal remedies. Loans classified as “loss” generally exhibit the following characteristics:

- the borrower is bankrupt, dissolved, or has otherwise ceased its business operations;
- the borrower incurs significant losses caused by accidents or natural disasters and fails to get full reimbursement from the insurance company;
- the loan is written-off; or
- the borrower has committed fraud and is being investigated by the authorities, and we are unable to repay the loan after exhausting all possible measures.

Retail Loans

In applying the loan classification criteria to retail loans, we primarily consider, among others, the length of time by which payments of principal or interest are overdue and the collateral for the loans.

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The following table sets forth the key factors we consider when classifying retail loans (other than credit card overdrafts).

Security type	Pass	Special mention	Substandard	Doubtful	Loss
Pledge	Overdue for 90 days or less	Overdue between 91 days and 180 days	Overdue between 181 days and 365 days	Overdue for more than 365 days	—
Mortgage	Overdue for 30 days or less	Overdue between 31 days and 180 days	Overdue between 181 days and 365 days	Overdue for more than 365 days	—
Guarantee	Not due	Overdue for 90 days or less	Overdue between 91 days and 365 days	Overdue for more than 365 days	—
Unsecured	Not due	Overdue for 90 days or less	Overdue between 91 days and 180 days	Overdue between 181 days and 365 days	Overdue for more than 365 days

The following table sets forth the key factors we consider when classifying credit card overdrafts.

Pass	Not due
Special mention	Overdue between 1 and 90 days
Substandard	Overdue between 91 days and 120 days
Doubtful	Overdue between 121 days and 180 days
Loss	Overdue for more than 180 days

Loans and Advances to Customers by Loan Classification

The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Pass	111,056	94.9%	133,336	97.0%	159,017	97.1%	178,153	97.3%
Special mention	5,281	4.5	3,423	2.5	3,829	2.4	3,739	2.0
Substandard ⁽¹⁾	455	0.4	477	0.3	839	0.5	1,083	0.6
Doubtful ⁽¹⁾	125	0.1	101	0.1	70	0.0	67	0.1
Loss ⁽¹⁾	117	0.1	76	0.1	40	0.0	15	0.0
Total loans and advances to customers	117,034	100.0%	137,413	100.0%	163,795	100.0%	183,057	100.0%
Non-performing loan ratio⁽²⁾	0.60%		0.48%		0.58%		0.64%	

Notes:

(1) We consider loans classified as “substandard,” “doubtful” and “loss” as non-performing loans, which are equivalent to “impaired loans and advances” in Note 46.1.5(g) to the Accountant’s Report in Appendix I to this prospectus.

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

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Changes in the Asset Quality of Our Loan Portfolio

The table below sets forth the changes in the outstanding balance of non-performing loans as of the dates indicated.

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Beginning of period	895	697	654	949
Additions ⁽¹⁾	83	186	486	363
Deducted by				
Write-offs	(21)	(68)	(90)	(70)
Upgrades	(3)	(6)	(3)	(9)
Recoveries	(257)	(155)	(98)	(68)
End of period	697	654	949	1,165

Note:

(1) Includes downgrades from performing loans to non-performing loans.

The balance of non-performing loans increased by 45.1% from RMB654 million as of December 31, 2011 to RMB949 million as of December 31, 2012 and further increased by 22.8% to RMB1,165 million as of June 30, 2013. The non-performing loan ratio of our loan portfolio increased from 0.48% as of December 31, 2011 to 0.58% as of December 31, 2012 and further increased to 0.64% as of June 30, 2013. The increases in non-performing loans and non-performing loan ratio were primarily due to a deterioration in the financial condition of some SME borrowers and borrowers in industries with excess capacity due to unfavorable economic and business environment.

Non-performing Loans by Product Type

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

	As of December 31,						As of June 30,		
	2010		2011		2012		2013		
	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾
	(in millions of RMB, except percentages)								
Corporate loans									
Short-term loans	267	38.3%	0.56%	190	29.1%	0.32%	372	39.2%	0.58%
Medium- and long-term loans ..	325	46.6	0.82	381	58.2	0.93	466	49.1	0.88
Subtotal	592	84.9%	0.68	571	87.3%	0.57	838	88.3%	0.72
Retail loans									
Residential mortgage loans	25	3.6%	0.16	24	3.7%	0.12	41	4.3%	0.19
Personal business loans	48	6.9	0.62	31	4.7	0.32	41	4.3	0.34
Credit card overdrafts	1	0.1	1.04	1	0.2	0.61	2	0.2	0.25
Personal consumption loans	31	4.5	1.67	27	4.1	2.09	27	2.9	2.53
Subtotal	105	15.1%	0.42	83	12.7%	0.27	111	11.7%	0.32
Discounted bills	—	—	—	—	—	—	—	—	—
Total non-performing loans ...	697	100.0%	0.60%	654	100.0%	0.48%	949	100.0%	0.58%
	1,165	100.0%	0.64%						

Note:

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

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The non-performing loan ratio of corporate loans increased from 0.57% as of December 31, 2011 to 0.72% as of December 31, 2012 and further increased to 0.79% as of June 30, 2013, primarily reflecting a deterioration in the financial condition of some SME borrowers and borrowers in industries with excess capacity due to unfavorable economic and business environment. As loans to SME customers are generally short-terms in nature, the non-performing loan ratio of short-term loans increased from 0.32% as of December 31, 2011 to 0.58% as of December 31, 2012 and further increased to 0.79% as of June 30, 2013.

The non-performing loan ratio of retail loans decreased from 0.42% as of December 31, 2010 to 0.30% as of June 30, 2013, primarily due to (i) our implementation of stricter credit assessment standards for granting personal loans and (ii) our increased efforts to recover non-performing loans.

Non-performing Corporate Loans by Industry

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

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾
(in millions of RMB, except percentages)												
Commerce and services	353	59.7%	2.02%	291	50.9%	1.24%	531	63.3%	1.58%	669	64.3%	1.67%
Manufacturing	166	28.0	0.70	244	42.8	0.77	222	26.5	0.61	312	30.0	0.79
Public utilities	2	0.3	0.01	1	0.2	0.01	0	0.0	0.00	0	0.0	0.00
Real estate	8	1.4	0.13	7	1.2	0.11	3	0.4	0.03	1	0.1	0.01
Construction	16	2.7	0.32	12	2.1	0.16	0	0.0	0.00	20	1.9	0.17
Energy and chemical	1	0.2	0.03	0	0.0	0.00	0	0.0	0.00	10	1.0	0.23
Transportation	3	0.5	0.08	3	0.5	0.09	7	0.8	0.16	1	0.1	0.04
Education and media	6	1.0	0.37	5	0.9	0.34	21	2.5	1.27	18	1.7	0.75
Catering and tourism	9	1.5	0.78	3	0.5	0.22	9	1.1	0.58	4	0.4	0.25
Finance	0	0.0	0.00	0	0.0	0.00	0	0.0	0.00	0	0.0	0.00
Others ⁽²⁾	28	4.7	5.59	5	0.9	0.72	45	5.4	4.00	5	0.5	0.31
Total non-performing corporate loans	592	100.0%	0.68%	571	100.0%	0.57%	838	100.0%	0.72%	1,040	100.0%	0.79%

Notes:

(1) Calculated by dividing non-performing loans by loans and advances to customers in each industry.

(2) Primarily consists of farming, forestry, husbandry and fishing industries.

As of June 30, 2013, a significant portion of non-performing corporate loans was concentrated in the commerce and services and manufacturing industries. As of June 30, 2013, non-performing corporate loans to borrowers in these two industries, in the aggregate, accounted for 94.3% of total non-performing corporate loans.

The relatively higher non-performing loan ratio of the commerce and services industry was primarily due to a deterioration in the financial condition of some borrowers in the steel trading industry as a result of the recent slowdown in China's economic growth and changes in PRC macroeconomic policies.

The non-performing loan ratio of the manufacturing industry increased from 0.70% as of December 31, 2010 to 0.79% as of June 30, 2013, primarily reflecting a deterioration in the financial

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condition of some SME borrowers in the manufacturing industry due to unfavorable economic and business environment.

The non-performing loan ratio of the real estate industry decreased from 0.13% as of December 31, 2010 to 0.01% as of June 30, 2013, primarily due to our implementation of stricter credit assessment standards for granting loans to borrowers in that industry.

Non-performing Corporate Loans by Size of Borrowers

The table below sets forth non-performing loans by the size of borrowers as of the dates indicated.

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾
(in millions of RMB, except percentages)												
SME	561	94.8%	0.81%	567	99.3%	0.73%	837	99.9%	0.95%	1,027	98.7%	1.04%
Non-SME	31	5.2	0.17	4	0.7	0.02	1	0.1	0.00	13	1.3	0.04
Total non-performing corporate loans	592	100.0%	0.68%	571	100.0%	0.57%	838	100.0%	0.72%	1,040	100.0%	0.79%

Note:

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

Non-performing Loans by Geography

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

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾
(in millions of RMB, except percentages)												
Anhui	697	100.0%	0.64%	654	100.0%	0.51%	949	100.0%	0.62%	1,118	96.0%	0.66%
Jiangsu	—	—	—	—	—	—	—	—	—	47	4.0	0.36
Total non-performing loans	697	100.0%	0.60%	654	100.0%	0.48%	949	100.0%	0.58%	1,165	100.0%	0.64%

Note:

(1) Calculated by dividing non-performing loans by loans and advances to customers in each region.

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Non-performing Loans by Collateral

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

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾
(in millions of RMB, except percentages)												
Collateralized loans	385	55.2%	0.71%	434	66.4%	0.71%	514	54.2%	0.68%	610	52.3%	0.67%
Pledged loans	38	5.5	0.56	19	2.9	0.16	175	18.4	0.86	219	18.9	1.11
Guaranteed loans	152	21.8	0.36	125	19.1	0.26	200	21.1	0.37	279	23.9	0.47
Unsecured loans	122	17.5	0.89	76	11.6	0.47	60	6.3	0.44	57	4.9	0.42
Total non-performing loans	697	100.0%	0.60%	654	100.0%	0.48%	949	100.0%	0.58%	1,165	100.0%	0.64%

Note:

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

As a result of the implementation of stricter credit assessment standards for granting unsecured loans, the non-performing loan ratio of unsecured loans decreased from 0.89% as of December 31, 2010 to 0.42% as of June 30, 2013.

The non-performing loan ratio of pledged loans increased from 0.16% as of December 31, 2011 to 0.86% as of December 31, 2012 and further increased to 1.11% as of June 30, 2013, primarily due to an increase in non-performing loans to some borrowers in the steel trading industry, which were primarily secured by pledges.

Ten Largest Non-performing Borrowers

The table below sets forth the borrowers with the 10 largest non-performing loan balances outstanding as of June 30, 2013.

As of June 30, 2013					
Industry	Classification	Amount	% of total non-performing loans	% of regulatory capital ⁽¹⁾	
(in millions of RMB, except percentages)					
Borrower A	Commerce and services	171	14.7%	0.6%	
Borrower B	Manufacturing	148	12.7	0.5	
Borrower C	Commerce and services	80	6.8	0.3	
Borrower D	Commerce and services	51	4.4	0.2	
Borrower E	Commerce and services	50	4.3	0.2	
Borrower F	Manufacturing	34	2.9	0.1	
Borrower G	Commerce and services	20	1.7	0.1	
Borrower H	Commerce and services	20	1.7	0.1	
Borrower I	Commerce and services	20	1.7	0.1	
Borrower J	Commerce and services	20	1.7	0.1	
Total		614	52.6%	2.3%	

Note:

(1) Represents loan amounts as a percentage of our regulatory capital, calculated in accordance with the Provisional Administrative Measures for the Capital Management of Commercial Banks that became effective on January 1, 2013. For a calculation of our regulatory capital as of June 30, 2013, see “Financial Information—Capital Resources—Capital Adequacy.”

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Loan Aging Schedule

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

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Loans not overdue	116,522	99.6%	136,860	99.6%	162,875	99.4%	181,614	99.2%
Loans past due for:								
1 to 90 days	103	0.1	250	0.2	470	0.3	663	0.4
91 days to 1 year	123	0.1	54	0.0	258	0.2	626	0.3
1 to 3 years	74	0.0	92	0.1	103	0.1	116	0.1
3 years or more	212	0.2	157	0.1	89	0.0	38	0.0
Subtotal	<u>512</u>	<u>0.4%</u>	<u>553</u>	<u>0.4%</u>	<u>920</u>	<u>0.6%</u>	<u>1,443</u>	<u>0.8%</u>
Total loans and advances to customers	<u>117,034</u>	<u>100.0%</u>	<u>137,413</u>	<u>100.0%</u>	<u>163,795</u>	<u>100.0%</u>	<u>183,057</u>	<u>100.0%</u>

Allowance for Impairment Losses on Loans and Advances to Customers

We assess our loan portfolio to determine and recognize allowance for impairment losses on Loans and Advances to Customers in accordance with IAS 39. Our loans are reported net of allowance for impairment losses on our consolidated statement of financial position.

We perform individual assessments to determine the allowance for impairment losses against individually significant loans if there is objective evidence of impairment as a result of events occurring after the initial recognition of loans that affect the estimated future cash flows of the loans. The allowance for impairment losses of loans is measured as the difference between the carrying amounts and the estimated recoverable amounts of the loans. The estimated recoverable amounts are the present value of the estimated future cash flows of the loans, including the realizable value of the collateral.

Individually significant loans for which no evidence of impairment has been individually identified, including loans classified as “pass” and “special mention,” are assessed collectively for the purpose of determining the allowance for impairment losses. We determine the allowance for impairment losses of collectively assessed loans based on our historical loss experience with similar loan portfolio and the current economic conditions.

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Allowance for Impairment Losses on Loans and Advances to Customers by Loan Classification

The table below sets forth allowance for impairment losses on loans and advances to customers by loan classification as of the dates indicated.

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	Allowance to loans ⁽¹⁾	Amount	% of total	Allowance to loans ⁽¹⁾	Amount	% of total	Allowance to loans ⁽¹⁾	Amount	% of total	Allowance to loans ⁽¹⁾
(in millions of RMB, except percentages)												
Pass	1,825	61.4%	1.64%	2,701	77.4%	2.03%	2,897	75.2%	1.82%	3,298	78.7%	1.85%
Special mention	691	23.2	13.08	372	10.7	10.87	516	13.4	13.48	366	8.7	9.78
Substandard	236	7.9	51.87	253	7.2	53.04	345	9.0	41.12	459	11.0	42.40
Doubtful	108	3.6	86.40	88	2.5	87.13	55	1.4	78.57	53	1.3	79.70
Loss	116	3.9	100.00	76	2.2	100.00	40	1.0	100.00	15	0.3	100.00
Total allowance	2,976	100.0%	2.54%	3,490	100.0%	2.54%	3,853	100.0%	2.35%	4,191	100.0%	2.29%

Note:

(1) Calculated by dividing the amount of allowance for impairment losses by loans and advances to customers in each category.

Changes to the Allowance for Impairment Losses on Loans and Advances to Customers

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

	Amount
	(in millions of RMB)
As of January 1, 2010	2,434
New allowance	582
Amount written off as uncollectible	(21)
Transfers out	—
Unwinding of discount on allowance ⁽¹⁾	(19)
As of December 31, 2010	2,976
New allowance	598
Amount written off as uncollectible	(68)
Transfers out	—
Unwinding of discount on allowance ⁽¹⁾	(16)
As of December 31, 2011	3,490
New allowance	469
Amount written off as uncollectible	(90)
Transfers out	—
Unwinding of discount on allowance ⁽¹⁾	(16)
As of December 31, 2012	3,853
New allowance	425
Amount written off as uncollectible	(70)
Transfers out	—
Unwinding of discount on allowance ⁽¹⁾	(17)
As of June 30, 2013	4,191

Note:

(1) Represents our recognition of increase in the present value of non-performing loans as interest income.

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Allowance for Impairment Losses on Loans and Advances to Customers by Product Type

The table below sets forth allowance for impairment losses on loans and advances to customers by product type as of the dates indicated.

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	Allowance to loans ⁽¹⁾	Amount	% of total	Allowance to loans ⁽¹⁾	Amount	% of total	Allowance to loans ⁽¹⁾	Amount	% of total	Allowance to loans ⁽¹⁾
(in millions of RMB, except percentages)												
Corporate loans												
Short-term loans	1,054	35.4%	2.21%	1,407	40.3%	2.37%	1,488	38.6%	2.33%	2,051	49.0%	2.67%
Medium- and long-term loans	1,210	40.7	3.04	1,148	32.9	2.81	1,503	39.0	2.83	1,141	27.2	2.10
Subtotal	<u>2,264</u>	<u>76.1%</u>	<u>2.59</u>	<u>2,555</u>	<u>73.2%</u>	<u>2.55</u>	<u>2,991</u>	<u>77.6%</u>	<u>2.56</u>	<u>3,192</u>	<u>76.2%</u>	<u>2.43</u>
Retail loans												
Residential mortgage loans	162	5.4%	1.06	258	7.4%	1.32	280	7.3%	1.31	320	7.6%	1.24
Personal business loans	108	3.7	1.40	136	3.9	1.39	160	4.1	1.34	185	4.4	1.33
Credit card overdrafts	1	0.0	1.85	2	0.1	2.25	11	0.3	1.58	24	0.6	1.95
Personal consumption loans	45	1.5	2.42	47	1.3	3.64	39	1.0	3.66	35	0.8	3.54
Subtotal	<u>316</u>	<u>10.6%</u>	<u>1.27</u>	<u>443</u>	<u>12.7%</u>	<u>1.45</u>	<u>490</u>	<u>12.7%</u>	<u>1.40</u>	<u>564</u>	<u>13.4%</u>	<u>1.35</u>
Discounted bills	<u>18</u>	<u>0.6%</u>	<u>0.40</u>	<u>19</u>	<u>0.5%</u>	<u>0.29</u>	<u>22</u>	<u>0.6%</u>	<u>0.18</u>	<u>55</u>	<u>1.3%</u>	<u>0.55</u>
Off-balance sheet commitments	<u>378</u>	<u>12.7%</u>	<u>1.20</u>	<u>473</u>	<u>13.6%</u>	<u>1.08</u>	<u>350</u>	<u>9.1%</u>	<u>0.67</u>	<u>380</u>	<u>9.1%</u>	<u>0.68</u>
Total allowance	<u>2,976</u>	<u>100.0%</u>	<u>2.54%</u>	<u>3,490</u>	<u>100.0%</u>	<u>2.54%</u>	<u>3,853</u>	<u>100.0%</u>	<u>2.35%</u>	<u>4,191</u>	<u>100.0%</u>	<u>2.29%</u>

Note:

(1) Calculated by dividing the amount of allowance for impairment losses by loans and advances to customers in each product category.

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Allowance for Impairment Losses on Corporate Loans by Industry

The table below sets forth allowance for impairment losses for corporate loans by industry as of the dates indicated.

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	Allowance to NPLs ⁽¹⁾	Amount	% of total	Allowance to NPLs ⁽¹⁾	Amount	% of total	Allowance to NPLs ⁽¹⁾	Amount	% of total	Allowance to NPLs ⁽¹⁾
(in millions of RMB, except percentages)												
Commerce and services	593	26.2%	167.99%	648	25.3%	223.45%	995	33.3%	187.57%	1,260	39.5%	188.37%
Manufacturing	630	27.8	379.52	817	32.0	334.84	1,169	39.1	526.56	1,079	33.8	345.58
Public utilities	498	22.0	24,900.00	469	18.4	46,900.00	199	6.6	—	163	5.1	163,522.19
Real estate	137	6.0	1,712.50	129	5.0	1,842.86	115	3.9	3,843.54	141	4.4	14,362.90
Construction	119	5.3	743.75	177	6.9	1,475.00	127	4.3	—	154	4.8	764.14
Energy and chemical	84	3.7	8,400.00	127	5.0	—	223	7.4	—	252	7.9	2,520.58
Transportation	79	3.5	2,633.33	69	2.7	2,300.00	57	1.9	809.41	48	1.5	3,003.16
Education and media	39	1.7	650.00	40	1.6	800.00	34	1.1	160.94	34	1.1	190.00
Catering and tourism	33	1.5	366.67	35	1.4	1,166.67	23	0.8	254.03	27	0.8	712.12
Finance	16	0.7	—	26	1.0	—	19	0.6	—	12	0.4	—
Others ⁽²⁾	36	1.6	128.57	18	0.7	360.00	30	1.0	66.27	22	0.7	424.79
Total allowance for corporate loans	2,264	100.0%	382.43%	2,555	100.0%	448.25%	2,991	100.0%	356.92%	3,192	100.0%	306.78%

Notes:

(1) Calculated by dividing the amount of allowance for impairment losses by non-performing loans in each industry.

(2) Primarily consists of farming, forestry, husbandry and fishing industries.

Allowance for Impairment Losses on Loans and Advances to Customers by Geography

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

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	Allowance to NPLs ⁽¹⁾	Amount	% of Total	Allowance to NPLs ⁽¹⁾	Amount	% of total	Allowance to NPLs ⁽¹⁾	Amount	% of total	Allowance to NPLs ⁽¹⁾
(in millions of RMB, except percentages)												
Anhui	2,790	93.7%	400.29%	3,272	93.8%	500.31%	3,619	93.9%	381.35%	3,936	93.9%	352.25%
Jiangsu	186	6.3	—	218	6.2	—	234	6.1	—	255	6.1	537.01
Total allowance	2,976	100.0%	426.80%	3,490	100.0%	533.33%	3,853	100.0%	406.00%	4,191	100.0%	359.82%

Note:

(1) Calculated by dividing the amount of allowance for impairment losses by non-performing loans in each region.

Investment Securities and Financial Assets Held for Trading

Investment securities and financial assets held for trading consist of Renminbi-denominated securities. As of December 31, 2010, 2011 and 2012 and June 30, 2013, we had investment securities and financial assets held for trading of RMB43,663 million, RMB47,812 million, RMB57,056 million

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and RMB68,936 million, respectively, accounting for 20.9%, 18.6%, 17.6% and 16.8% of total assets, respectively. We classify investment securities and financial assets held for trading into (i) available-for-sale financial assets, (ii) held-to-maturity investments, (iii) loans and receivables and (iv) financial assets held for trading, primarily based on our intentions with respect to these assets.

The table below sets forth the components of investment securities and financial assets held for trading as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Available-for-sale financial assets	20,866	47.8%	18,357	38.4%	25,580	44.8%	31,122	45.2%
Held-to-maturity investments	13,191	30.2	20,604	43.1	26,063	45.7	25,712	37.3
Loans and receivables	6,888	15.8	3,815	8.0	1,814	3.2	8,433	12.2
Financial assets held for trading	2,718	6.2	5,036	10.5	3,599	6.3	3,669	5.3
Total investment securities and financial assets held for trading . . .	<u>43,663</u>	<u>100.0%</u>	<u>47,812</u>	<u>100.0%</u>	<u>57,056</u>	<u>100.0%</u>	<u>68,936</u>	<u>100.0%</u>

As of June 30, 2013, investment securities and financial assets held for trading amounted to RMB68,936 million, an increase of 20.8% from RMB57,056 million as of December 31, 2012. Investment securities and financial assets held for trading increased by RMB9,244 million in 2012 and RMB4,149 million in 2011, representing a 19.3% and 9.5% increase over 2011 and 2010, respectively. The increases in investment securities and financial assets held for trading primarily reflected the growth of total assets and our allocation of capital across different asset categories.

The table below sets forth investment securities and financial assets held for trading by type of investment as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Debt securities	37,067	84.9%	41,998	87.8%	50,356	88.3%	55,552	80.6%
Equity securities	15	0.0	19	0.0	16	0.0	16	0.0
Wealth management products issued by other financial institutions	6,455	14.8	3,513	7.3	1,595	2.8	8,253	12.0
Asset management schemes managed by securities firms or trust companies	126	0.3	2,282	4.8	5,089	8.9	5,115	7.4
Total investment securities and financial assets held for trading	<u>43,663</u>	<u>100.0%</u>	<u>47,812</u>	<u>100.0%</u>	<u>57,056</u>	<u>100.0%</u>	<u>68,936</u>	<u>100.0%</u>

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Debt Securities

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Government bonds	11,016	29.7%	14,077	33.5%	16,266	32.3%	18,818	33.9%
Bonds issued by other banks and financial institutions	16,418	44.3	14,212	33.8	19,569	38.9	24,754	44.6
Corporate bonds	5,496	14.8	7,420	17.7	9,925	19.7	10,031	18.0
PBOC bills	4,137	11.2	6,289	15.0	4,596	9.1	1,949	3.5
Total debt securities	37,067	100.0%	41,998	100.0%	50,356	100.0%	55,552	100.0%

PBOC bills as a percentage of total debt securities increased from 11.2% as of December 31, 2010 to 15.0% as of December 31, 2011, primarily due to an increase in the issuance volume of the PBOC bills. PBOC bills as a percentage of total debt securities decreased from 15.0% as of December 31, 2011 to 9.1% as of December 31, 2012 and further decreased to 3.5% as of June 30, 2013, primarily due to a decrease in the issuance volume of the PBOC bills since 2012.

Equity Securities

As of June 30, 2013, our available-for-sale equity securities amounted to RMB16 million, which primarily consisted of equity investments in China UnionPay, Shanghai City Commercial Bank Clearing Center and Hefei Meiling Co. Ltd.

Maturity Profile of Our Investment Portfolio

The table below sets forth investment securities and financial assets held for trading (excluding equity securities) by remaining maturity as of June 30, 2013.

	As of June 30,					Total
	Due in 1 month or less	Due between 1 and 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due over 5 years	
(in millions of RMB)						
Available-for-sale financial assets	3,114	3,259	1,595	14,646	8,492	31,106
Held-to-maturity investments	1,370	561	1,659	12,882	9,240	25,712
Loans and receivables	3,068	1,042	4,271	52	—	8,433
Financial assets held for trading	21	110	180	2,263	1,095	3,669
Total investment securities and financial assets held for trading	7,573	4,972	7,705	29,843	18,827	68,920

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Carrying Value and Market Value

All investment securities classified as available-for-sale and financial assets held for trading are stated at market value or fair value. The table below sets forth the carrying value and market value of held-to-maturity securities and loans and receivables as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Carrying value	Market/fair value	Carrying value	Market/fair value	Carrying value	Market/fair value	Carrying value	Market/fair value
	(in millions of RMB)							
Held-to-maturity securities	13,191	13,026	20,604	20,616	26,063	26,014	25,712	25,664
Loans and receivables	6,888	6,850	3,815	3,815	1,814	1,795	8,433	8,418

Investment Concentration

The table below sets forth our ten largest holdings of investment securities and financial assets held for trading as of June 30, 2013.

	Issuer	As of June 30, 2013			
		Carrying value	% of total investment portfolio	% of total shareholders' equity ⁽¹⁾	Market/fair value
		(in millions of RMB, except percentages)			
Investment A	China Everbright Bank	2,312	3.4%	10.4%	2,312
Investment B	PBOC Head Office	1,200	1.7	5.4	1,199
Investment C	Bank of Shanghai	1,019	1.5	4.6	1,019
Investment D	Bank of Shanghai	1,008	1.5	4.5	1,008
Investment E	Bank of Shanghai	1,008	1.5	4.5	1,008
Investment F	Bank of Shanghai	1,008	1.5	4.5	1,008
Investment G	MOF	940	1.4	4.3	939
Investment H	China Development Bank	874	1.3	4.0	874
Investment I	Shanghai Rural Commercial Bank	800	1.2	3.6	798
Investment J	Agricultural Development Bank of China	767	1.1	3.5	767
Total		10,936	16.1%	49.3%	10,932

Note:

(1) For a calculation of total shareholders' equity, see "Financial Information—Capital Resources—Shareholders' Equity."

Other Components of Assets

Other components of assets primarily include (i) cash and balances with central bank, (ii) financial assets held under resale agreements, (iii) due from banks and other financial institutions and (iv) placements with and loans to banks and other financial institutions.

Cash and balances with central bank primarily consist of cash, statutory deposit reserves and surplus deposit reserves. Statutory deposit reserves represent the minimum amount of cash we are required to deposit with the PBOC, which is determined as a percentage of total deposits from customers. Surplus deposit reserves are deposits with the PBOC in excess of statutory deposit reserves. Cash and balances with central bank increased by 3.3% from RMB55,829 million in 2011 to

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RMB57,649 million in 2012, and further increased by 3.5% to RMB 59,650 million as of June 30, 2013, primarily due to an increase in statutory deposit reserves, resulting from the growth of deposits from customers, which was partially offset by the decreases in the statutory deposit reserve ratio in 2012. Cash and balances with central bank increased by 61.4% from RMB34,580 million in 2010 to RMB55,829 million in 2011, primarily due to an increase in statutory deposit reserves, resulting from the growth of deposits from customers and the increases in the statutory deposit reserve ratio in 2011.

Financial assets held under resale agreements amounted to RMB10,543 million, RMB5,317 million, RMB38,198 million and RMB92,281 million as of December 31, 2010, 2011 and 2012 and June 30, 2013. Since 2012, we have significantly increased the scale of repurchase and reverse repurchase transactions to earn spread income. As a result, financial assets held under resale agreements as a percentage of total assets increased from 2.1% as of December 31, 2011 to 11.8% as of December 31, 2012 and further increased to 22.5% as of June 30, 2013.

Due from banks and other financial institutions represent our deposits with other banks and financial institutions. As of December 31, 2010, 2011 and 2012 and June 30, 2013, amounts due from banks and other financial institutions amounted to RMB1,496 million, RMB7,076 million, RMB3,834 million and RMB4,167 million, respectively, accounting for 0.7%, 2.8%, 1.2% and 1.0% of total assets, respectively. The fluctuation in the amount due from banks and other financial institutions as of these dates was primarily the result of efforts to manage our balance sheet in response to changes in interbank money market interest rates and our liquidity needs. Amounts due from banks and other financial institutions increased from RMB1,496 million as of December 31, 2010 to RMB7,076 million as of December 31, 2011, primarily due to our launch of money market wealth management products in 2011.

We lend funds to banks and other financial institutions through the interbank lending market. As of December 2010, 2011 and 2012 and June 30, 2013, placements with and loans to banks and other financial institutions amounted to RMB1,237 million, RMB3,581 million, RMB2,813 million and RMB893 million, respectively, accounting for 0.6%, 1.4%, 0.9% and 0.2% of total assets, respectively.

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LIABILITIES AND SOURCES OF FUNDS

The table below sets forth the components of total liabilities as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Deposits from customers	159,582	82.0%	203,580	84.8%	239,543	78.8%	252,137	65.1%
Financial assets sold under repurchase agreements	20,798	10.7	16,185	6.7	47,883	15.8	100,670	26.0
Deposits from banks and other financial Institutions	9,822	5.1	9,323	3.9	5,965	2.0	19,700	5.1
Debt securities in issue	—	—	3,991	1.7	3,992	1.3	8,985	2.3
Placements from banks and other financial Institutions	1,263	0.6	3,535	1.5	898	0.3	903	0.2
Other liabilities ⁽¹⁾	3,154	1.6	3,284	1.4	5,462	1.8	5,005	1.3
Total liabilities	<u>194,619</u>	<u>100.0%</u>	<u>239,898</u>	<u>100.0%</u>	<u>303,743</u>	<u>100.0%</u>	<u>387,401</u>	<u>100.0%</u>

Note:

(1) Primarily consists of interest payable, accrued staff salaries and benefits, tax payable and derivative financial liabilities.

As of June 30, 2013, total liabilities amounted to RMB387,401 million, an increase of 27.5% from RMB303,743 million as of December 31, 2012. Total liabilities increased by RMB63,845 million in 2012 and RMB45,279 million in 2011, representing a 26.6% and 23.3% increase over 2011 and 2010, respectively. Deposits from customers are the largest component of total liabilities, accounting for 82.0%, 84.8%, 78.8%, and 65.1% of total liabilities as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively.

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Deposits from Customers

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

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Corporate deposits								
Demand	83,748	52.5%	97,480	47.9%	107,041	44.7%	101,649	40.3%
Time	27,134	17.0	38,983	19.1	52,943	22.1	60,662	24.1
Subtotal	<u>110,882</u>	<u>69.5%</u>	<u>136,463</u>	<u>67.0%</u>	<u>159,984</u>	<u>66.8%</u>	<u>162,311</u>	<u>64.4%</u>
Retail deposits								
Demand	15,999	10.0%	19,078	9.4%	21,960	9.2%	24,601	9.8%
Time	16,700	10.5	22,815	11.2	30,759	12.8	35,205	14.0
Subtotal	<u>32,699</u>	<u>20.5%</u>	<u>41,893</u>	<u>20.6%</u>	<u>52,719</u>	<u>22.0%</u>	<u>59,806</u>	<u>23.7%</u>
Others⁽¹⁾	<u>16,001</u>	<u>10.0%</u>	<u>25,224</u>	<u>12.4%</u>	<u>26,840</u>	<u>11.2%</u>	<u>30,020</u>	<u>11.9%</u>
Total deposits from customers ...	<u>159,582</u>	<u>100.0%</u>	<u>203,580</u>	<u>100.0%</u>	<u>239,543</u>	<u>100.0%</u>	<u>252,137</u>	<u>100.0%</u>

Note:

(1) Primarily consists of pledged deposits held as collateral.

As of June 30, 2013, total deposits from customers amounted to RMB252,137 million, an increase of 5.3% from RMB239,543 million as of December 31, 2012. Total deposits from customers increased by RMB35,963 million in 2012 and RMB43,998 million in 2011, representing a 17.7% and 27.6% increase over 2011 and 2010, respectively.

Retail deposits represented 20.5%, 20.6%, 22.0% and 23.7% of total deposits from customers as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The increases in retail deposits as a percentage of total deposits from customers were primarily attributable to our marketing effort to expand our retail banking business.

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Deposits from Customers by Currency

The table below sets forth deposits from customers by currency as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
RMB-denominated								
Corporate deposits	110,658	69.4%	135,872	66.7%	158,779	66.3%	161,783	64.2%
Retail deposits	32,617	20.4	41,892	20.6	52,718	22.0	59,804	23.7
Others ⁽¹⁾	15,983	10.0	25,222	12.4	26,837	11.2	29,949	11.9
Subtotal	<u>159,258</u>	<u>99.8%</u>	<u>202,986</u>	<u>99.7%</u>	<u>238,334</u>	<u>99.5%</u>	<u>251,536</u>	<u>99.8%</u>
Foreign currency-denominated								
Corporate deposits	224	0.1%	591	0.3%	1,205	0.5%	528	0.2%
Retail deposits	82	0.1	1	0.0	1	0.0	2	0.0
Others ⁽¹⁾	18	0.0	2	0.0	3	0.0	71	0.0
Subtotal	<u>324</u>	<u>0.2%</u>	<u>594</u>	<u>0.3%</u>	<u>1,209</u>	<u>0.5%</u>	<u>601</u>	<u>0.2%</u>
Total deposits from customers	<u>159,582</u>	<u>100.0%</u>	<u>203,580</u>	<u>100.0%</u>	<u>239,543</u>	<u>100.0%</u>	<u>252,137</u>	<u>100.0%</u>

Note:

(1) Primarily consists of pledged deposits held as collateral.

Deposits from Customers by Geography

We classify deposits from customers based on the geographic location of the branch that takes the deposit. There is generally a high correlation between the location of the depositor and the location of the branch taking the deposit. The table below sets forth deposits from customers by geography as of the dates indicated.

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Anhui	151,360	94.8%	191,746	94.2%	224,218	93.6%	235,766	93.5%
Jiangsu	8,222	5.2	11,834	5.8	15,325	6.4	16,371	6.5
Total deposits from customers	<u>159,582</u>	<u>100.0%</u>	<u>203,580</u>	<u>100.0%</u>	<u>239,543</u>	<u>100.0%</u>	<u>252,137</u>	<u>100.0%</u>

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Maturity Profile of Deposits from Customers

The table below sets forth our deposit products by remaining maturity as of June 30, 2013.

As of June 30, 2013														
Repayable on demand		Due less than 1 month		Due over 1 month up to 3 months		Due over 3 months up to 12 months		Due over 1 year up to 5 years		Due over 5 years		Total		
Amount		Amount		Amount		Amount		Amount		Amount		Amount		
% of total deposits		% of total deposits		% of total deposits		% of total deposits		% of total deposits		% of total deposits		% of total deposits		
(in millions of RMB, except percentages)														
Corporate														
deposits	103,755	41.2%	6,064	2.4%	8,395	3.3%	20,471	8.1%	22,026	8.8%	1,600	0.6%	162,311	64.4%
Retail														
deposits	25,741	10.2	5,092	2.0	7,681	3.0	16,227	6.4	5,064	2.0	1	0.0	59,806	23.6
Others ⁽¹⁾	6,830	2.7	3,182	1.3	7,441	3.0	12,275	4.9	292	0.1	0	0.0	30,020	12.0
Total deposits from customers . . .	136,326	54.1%	14,338	5.7%	23,517	9.3%	48,973	19.4%	27,382	10.9%	1,601	0.6%	252,137	100.0%

Note:

(1) Primarily consists of pledged deposits held as collateral.

Subordinated Bonds

In April 2011, we issued an aggregate principal amount of RMB4.0 billion subordinated bonds. The bonds have a term of 15 years and bear a fixed interest rate of 6.55% per annum. We have an option to redeem the bond in full in 2021.

Financial Bonds

In March 2013, we issued two tranches of financial bonds with an aggregate principal amount of RMB5.0 billion to fund our lending to small businesses. The first tranche with an aggregate principal amount of RMB2.8 billion has a term of three years and bears a fixed interest rate of 4.30% per annum. The second tranche with an aggregate principal amount of RMB2.2 billion has a term of five years and bears a fixed interest rate of 4.50% per annum.

Other Components of Liabilities

Other components of liabilities primarily include (i) financial assets sold under repurchase agreements, (ii) deposits from banks and other financial institutions and (iii) placements from banks and other financial institutions. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our liabilities other than deposits from customers and debt securities in issue amounted to RMB35,037 million, RMB32,327 million, RMB60,208 million and RMB126,278 million, accounting for 18.0%, 13.5%, 19.8% and 32.6% of total liabilities, respectively. Financial assets sold under repurchases as a percentage of total liabilities increased from 10.7% as of December 31, 2010 to 26.0% as of June 30, 2013, primarily attributable to our increased use of repurchase agreements to fund our purchases of bills under resale agreements to earn spread income. Deposits from banks and other financial institutions increased from RMB5,965 million as of December 31, 2012 to RMB19,700 million as of June 30, 2013 as we increased borrowings from banks and other financial institutions to meet our heightened liquidity needs.