

ASSETS AND LIABILITIES

The following discussion and analysis should be read in conjunction with our consolidated financial statements, together with the accompanying notes, included in Appendix I to this prospectus. Our consolidated financial statements have been audited and prepared in accordance with IFRS. You should also read the following discussion and analysis in conjunction with the unaudited preliminary financial information of our Bank for the year ended 31 December 2013 and the accompanying notes, as well as the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” set forth in Appendix IV to this prospectus.

ASSETS

As of 31 December 2010, 2011 and 2012 and 30 September 2013, our total assets amounted to RMB125,833.9 million, RMB206,661.4 million, RMB270,090.2 million and RMB261,660.1 million, respectively. Our assets primarily comprise (i) loans and advances to customers, (ii) investment securities and other financial assets, (iii) cash and balances with central bank, (iv) due from banks and other financial institutions, and (v) financial assets held under reverse repurchase agreements.

The following table sets forth, as of the dates indicated, the components of our total assets.

	As of 31 December						As of 30 September	
	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, gross	54,024.6	43.0	68,483.8	33.1	87,264.4	32.3	105,010.4	40.1
Allowance for impairment losses . . .	(824.1)	(0.7)	(1,465.6)	(0.7)	(1,966.3)	(0.7)	(2,372.0)	(0.9)
Loans and advances to customers, net	53,200.5	42.3	67,018.2	32.4	85,298.1	31.6	102,638.4	39.2
Investment securities and other financial assets, net ⁽¹⁾	18,249.2	14.5	36,054.3	17.4	51,180.1	18.9	51,846.6	19.8
Cash and balances with central bank	23,413.2	18.6	30,935.7	15.0	51,858.5	19.2	40,729.7	15.6
Due from banks and other financial institutions ⁽²⁾	9,837.9	7.8	15,907.0	7.7	19,946.8	7.4	27,730.0	10.6
Financial assets held under reverse repurchase agreements	17,863.5	14.2	49,973.6	24.2	51,745.6	19.2	27,783.5	10.6
Other assets ⁽³⁾	3,269.6	2.6	6,772.6	3.3	10,061.1	3.7	10,931.9	4.2
Total assets	<u>125,833.9</u>	<u>100.0</u>	<u>206,661.4</u>	<u>100.0</u>	<u>270,090.2</u>	<u>100.0</u>	<u>261,660.1</u>	<u>100.0</u>

Notes:

- (1) Investment securities and other financial assets include financial investments (including investments in receivables, held-to-maturity investments and available-for-sale financial assets) and financial assets held for trading. As of 31 December 2010, 2011 and 2012 and 30 September 2013, there were no allowances for impairment losses of investment securities.
- (2) Due from banks and other financial institutions are net of the allowances for impairment losses in the amount of RMB6.0 million as of 31 December 2010 and nil as of 31 December 2011 and 2012 and 30 September 2013.
- (3) Other assets include investments in associates, property and equipment, deferred income tax assets and other assets.

As of 30 September 2013, we had total assets of RMB261,660.1 million, representing a decrease of 3.1% from total assets of RMB270,090.2 million as of 31 December 2012. The decrease in our total assets from 31 December 2012 to 30 September 2013 was mainly attributable to a decrease in financial assets held under reverse repurchase agreements and cash and balances with central bank.

ASSETS AND LIABILITIES

Our total assets increased by 64.2% from RMB125,833.9 million as of 31 December 2010 to RMB206,661.4 million as of 31 December 2011, and further increased by 30.7% to RMB270,090.2 million as of 31 December 2012. The increase in our total assets from 31 December 2010 to 31 December 2012 was mainly due to an increase in our loans and advances to customers, investment securities and other financial assets, and financial assets held under reverse repurchase agreements.

Loans and Advances to Customers

Loans and advances to customers are the largest component of our assets. As of 31 December 2010, 2011 and 2012 and 30 September 2013, our total loans and advances to customers, net of allowance for impairment losses, accounted for 42.3%, 32.4%, 31.6% and 39.2%, respectively, of our total assets. We provide a variety of loan products to customers through our distribution network, and substantially all of our loan products are denominated in Renminbi.

Unless otherwise indicated in this prospectus, the following discussion is based on our total loans and advances to customers, before taking into account the related allowance for impairment losses, rather than our net loans and advances to customers. Our loans and advances to customers are reported net of the allowance for impairment losses on our consolidated statement of financial position.

Our total loans and advances to customers increased by 26.8% from RMB54,024.6 million as of 31 December 2010 to RMB68,483.8 million as of 31 December 2011, and further increased by 27.4% to RMB87,264.4 million as of 31 December 2012. As of 30 September 2013, our total loans and advances to customers amounted to RMB105,010.4 million, representing an increase of 20.3% compared to 31 December 2012. The steady increase in our loans and advances to customers from 31 December 2010 to 30 September 2013 was mainly due to (i) strong market demand for credit facilities attributable to the stable growth of the PRC economy and (ii) our efforts to increase corporate loans and develop our personal loans business.

Distribution of Loans by Business Lines

For a description of the products we offer, see “Business – Our Principal Business Activities”. The following table sets forth a breakdown of our loans and advances to customers by business lines as of the dates indicated.

	As of 31 December						As of 30 September	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate loans	23,420.8	43.4	35,601.1	52.0	51,108.1	58.6	61,639.4	58.7
Personal loans	23,668.2	43.8	29,139.7	42.5	34,810.1	39.9	40,869.4	38.9
Discounted bills	6,935.6	12.8	3,743.0	5.5	1,346.2	1.5	2,501.6	2.4
Total loans and advances to customers⁽¹⁾	<u>54,024.6</u>	<u>100.0</u>	<u>68,483.8</u>	<u>100.0</u>	<u>87,264.4</u>	<u>100.0</u>	<u>105,010.4</u>	<u>100.0</u>

Note:

(1) As of 31 December 2010, 2011 and 2012 and 30 September 2013, the balance of our microcredit business (including loans to Small Enterprises, loans to Small Enterprise Owners, loans to farmers and personal consumption loans) amounted to RMB32,730.8 million, RMB44,311.6 million, RMB58,448.1 million and RMB72,527.0 million, respectively, representing 60.6%, 64.7%, 67.0% and 69.1%, respectively, of our total loans and advances to customers.

As of 31 December 2010, 2011 and 2012 and 30 September 2013, our corporate loans accounted for 43.4%, 52.0%, 58.6% and 58.7%, respectively, of our total loans and advances to customers, and our personal loans accounted for 43.8%, 42.5%, 39.9% and 38.9%, respectively, of our total loans and advances to customers.

ASSETS AND LIABILITIES

During the Track Record Period, we experienced relatively fast growth in terms of the total size of our corporate loans. Our corporate loans increased by 52.0% from RMB23,420.8 million as of 31 December 2010 to RMB35,601.1 million as of 31 December 2011, and further increased by 43.6% to RMB51,108.1 million as of 31 December 2012. As of 30 September 2013, our total corporate loans were RMB61,639.4 million, representing an increase of 20.6% compared to 31 December 2012. During the Track Record Period, we increased loans to corporate customers, especially those companies whose businesses were supported by the PRC government's policy on promoting the development of SMEs. We improved our operations through a number of measures, such as establishing a marketing mechanism, classifying marketing services, setting up a "parallel operating" system and "cross-selling" and other featured marketing and sales models, to provide on-going after-sales services and promote the rapid growth of our overall corporate loan business.

Our personal loans maintained steady growth during the Track Record Period. Our total personal loans increased by 23.1% from RMB23,668.2 million as of 31 December 2010 to RMB29,139.7 million as of 31 December 2011, and further increased by 19.5% to RMB34,810.1 million as of 31 December 2012. As of 30 September 2013, our total loans to customers were RMB40,869.4 million, representing an increase of 17.4% compared to 31 December 2012. The steady growth of our total personal loans was mainly attributable to our continued development of personal loans as a response to the PRC government's policies to support and encourage financial institutions to develop financial services for SMEs (including financial services for proprietary business), financial services for rural areas and personal credit services. In addition, the CBRC decreased the risk weighting of personal loans to encourage banks to extend more loans to Small Enterprise Owners and individual customers.

Discounted bills is an important component of our portfolio of loans to customers. As of 31 December 2010, 2011 and 2012 and 30 September 2013, our total discounted bills accounted for 12.8%, 5.5%, 1.5% and 2.4%, respectively, of our total loans and advances to customers. As of 30 September 2013, the balance of our discounted bills increased by 85.8% to RMB2,501.6 million from RMB1,346.2 million as of 31 December 2012 and, as a percentage of our total loans and advances to customers, our discounted bills also increased as of 30 September 2013 compared to 31 December 2012. As of 30 September 2013, we increased the allocation of discounted bill assets and controlled the scale of our lending. Our discounted bills decreased by 46.0% from RMB6,935.6 million as of 31 December 2010 to RMB3,743.0 million as of 31 December 2011, and further decreased by 64.0% to RMB1,346.2 million as of 31 December 2012 and the proportion of discounted bills to our total loans and advances to customers decreased as well. The decrease was primarily due to our sales of part of our discounted bills balances at the end of the respective financial periods to respond to the changes in national macroeconomic policies and control of lending scale in the PRC.

ASSETS AND LIABILITIES

Corporate Loans

Distribution of Corporate Loans by Customer Type

The following table sets forth the breakdown of our corporate loans by customer type as of the dates indicated.

	As of 31 December						As of 30 September	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Loans to Small Enterprises	9,062.6	38.7	15,171.9	42.6	23,638.0	46.3	31,657.6	51.4
Other corporate loans excluding loans to Small Enterprises	14,358.2	61.3	20,429.2	57.4	27,470.1	53.7	29,981.8	48.6
Total corporate loans	23,420.8	100.0	35,601.1	100.0	51,108.1	100.0	61,639.4	100.0

Our loans to Small Enterprises increased by 67.4% from RMB9,062.6 million as of 31 December 2010 to RMB15,171.9 million as of 31 December 2011, and further increased by 55.8% to RMB23,638.0 million as of 31 December 2012. Our loans to Small Enterprises further increased by 33.9% to RMB31,657.6 million as of 30 September 2013 compared to 31 December 2012. The increase in our loans to Small Enterprises during the Track Record Period was primarily due to the following reasons: (i) SMEs and private business owners had significant demand for loans as a result of China's steady economic growth; (ii) we actively responded to the national policy on promoting the development of SMEs required by regulatory authorities to increase our loans to small enterprises and micro enterprises (especially small enterprises); (iii) we implemented our strategy of focusing on the development of featured microcredit business; (iv) we placed continuous emphasis on research and development relating to loans to Small Enterprises with the aim of diversifying our featured Renminbi-denominated credit products for Small Enterprises Customers and to satisfy their needs; and (v) we improved our business management model of loans to Small Enterprises, established more professional marketing teams and increased our marketing efforts. As of 31 December 2010, 2011 and 2012 and 30 September 2013, our loans to Small Enterprises accounted for 38.7%, 42.6%, 46.3% and 51.4%, respectively, of our total corporate loans.

Distribution of Corporate Loans by Loan Maturity

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

	As of 31 December						As of 30 September	
	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 ⁽¹⁾	17,285.9	73.8	27,324.3	76.8	39,524.7	77.3	47,891.6	77.7
Medium- and long-term loans ⁽²⁾	6,134.9	26.2	8,276.8	23.2	11,583.4	22.7	13,747.8	22.3
Total corporate loans	23,420.8	100.0	35,601.1	100.0	51,108.1	100.0	61,639.4	100.0

Notes:

- (1) Short-term loans represent our corporate loans that have a maturity of 12 months or less according to the respective loan contracts.
- (2) Medium- and long-term loans represent our corporate loans that have a maturity of more than 12 months according to the respective loan contracts.

ASSETS AND LIABILITIES

Our corporate loans mainly consist of short-term loans. As of 31 December 2010, our short-term corporate loans amounted to RMB17,285.9 million, and increased by 58.1% to RMB27,324.3 million as of 31 December 2011. Our short-term corporate loans further increased by 44.7% to RMB39,524.7 million as of 31 December 2012, and further increased by 21.2% to RMB47,891.6 million as of 30 September 2013. As of 31 December 2010, 2011 and 2012 and 30 September 2013, our short-term corporate loans accounted for 73.8%, 76.8%, 77.3% and 77.7%, respectively, of our total corporate loans.

As of 31 December 2010, our medium- and long-term corporate loans amounted to RMB6,134.9 million and increased by 34.9% to RMB8,276.8 million as of 31 December 2011. Medium- and long-term corporate loans further increased by 40.0% to RMB11,583.4 million as of 31 December 2012, and increased by 18.7% to RMB13,747.8 million as of 30 September 2013. As of 31 December 2010, 2011 and 2012 and 30 September 2013, our medium- and long-term corporate loans accounted for 26.2%, 23.2%, 22.7% and 22.3%, respectively, of our total corporate loans.

During the Track Record Period, our short-term and medium- and long-term corporate loans both increased. Our short-term corporate loans as a percentage of our total corporate loans increased primarily because a majority of our corporate loan customers were SMEs. We believe these customers used loans to fund daily operations and replenish working capital, and such loans generally mature within one year. In addition, we increased short-term corporate loans in order to increase the liquidity of our assets and reduce the mismatch between the maturities of our loans and deposits.

Distribution of Corporate Loans by Single Loan Size

The following table sets forth a breakdown of our corporate loans by single loan balance as of the dates indicated.

	As of 31 December						As of 30 September	
	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	5,244.4	22.3	8,744.2	24.6	11,837.0	23.1	15,928.4	25.8
Over RMB10 million to RMB50 million	7,141.6	30.5	12,393.5	34.8	18,865.1	36.9	22,311.1	36.2
Over RMB50 million to RMB100 million	4,090.0	17.5	4,607.5	12.9	8,117.0	15.9	8,129.2	13.2
Over RMB100 million to RMB500 million	5,844.8	25.0	7,585.9	21.3	11,739.0	23.0	14,270.7	23.2
Over RMB500 million . . .	1,100.0	4.7	2,270.0	6.4	550.0	1.1	1,000.0	1.6
Total corporate loans . . .	23,420.8	100.0	35,601.1	100.0	51,108.1	100.0	61,639.4	100.0

As of 31 December 2010, 2011 and 2012 and 30 September 2013, 52.8%, 59.4%, 60.0% and 62.0%, respectively, of our corporate loans had a single loan balance less than RMB50 million. This was primarily the result of our focus on developing our microcredit business.

ASSETS AND LIABILITIES

Distribution of Loans by Industry

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

	As of 31 December						As of 30 September	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Agriculture, forestry, husbandry and fishery	590.2	2.5	955.2	2.7	2,277.9	4.5	3,130.6	5.1
Mining	97.5	0.4	111.5	0.3	880.1	1.7	893.1	1.4
Manufacturing	5,433.1	23.2	7,653.5	21.5	10,793.9	21.1	13,384.4	21.7
Production and supply of electricity, gas and water	634.0	2.7	1,730.7	4.9	1,460.9	2.9	1,929.5	3.1
Construction	1,850.8	7.9	1,312.8	3.7	3,269.6	6.4	5,540.8	9.0
Transportation, storage and postal services	665.2	2.8	1,362.9	3.8	966.3	1.9	1,914.5	3.1
Information transmission, computer services and software	292.6	1.2	512.5	1.4	636.7	1.2	540.2	0.9
Wholesale and services . . .	6,831.6	29.2	15,533.1	43.6	18,512.6	36.2	22,199.2	36.0
Accommodation and catering	445.7	1.9	766.3	2.2	880.5	1.7	1,033.0	1.7
Finance	10.0	0.0	5.0	0.0	671.7	1.3	424.0	0.7
Real estate	469.8	2.0	907.9	2.6	2,443.9	4.8	1,782.6	2.9
Rental, commercial services	2,175.9	9.3	1,518.9	4.3	2,562.8	5.0	3,980.5	6.5
Scientific research, technical services and geological prospecting	63.0	0.3	140.7	0.4	138.9	0.3	200.9	0.3
Water conservation, environment and public utility management and investment	2,872.0	12.3	2,253.2	6.3	3,059.6	6.0	2,767.8	4.5
Residential and other services	235.0	1.0	208.3	0.6	1,013.9	2.0	1,057.0	1.7
Education	560.9	2.4	332.8	0.9	518.3	1.0	387.0	0.6
Health, social security and social welfare	133.5	0.6	248.8	0.7	379.6	0.7	280.4	0.5
Culture, sports and entertainment	60.0	0.3	47.0	0.1	140.5	0.3	188.8	0.3
Public administration and social organisation	—	—	—	—	500.4	1.0	5.1	0.0
Total corporate loans . . .	<u>23,420.8</u>	<u>100.0</u>	<u>35,601.1</u>	<u>100.0</u>	<u>51,108.1</u>	<u>100.0</u>	<u>61,639.4</u>	<u>100.0</u>

As of 30 September 2013, a majority of our corporate loan customers operated in the (i) wholesale and services, (ii) manufacturing, (iii) construction, (iv) rental and commercial services, and (v) agriculture, forestry, husbandry and fishery industries, which accounted for 36.0%, 21.7%, 9.0%, 6.5% and 5.1%, respectively, of our total corporate loans as of that date. As of 31 December 2010, 2011 and 2012 and 30 September 2013, the balance of our corporate loans in these five industries in aggregate accounted for 72.1%, 75.8%, 73.2% and 78.3%, respectively, of our total corporate loans.

ASSETS AND LIABILITIES

In line with our risk preferences, our business development plans and changes in national macroeconomic policies, we have improved our credit policies for different industries to properly direct the flows of credits and refine our credit portfolio. These credit policies set out the requirements for loan approval, selection criteria for customers and credit quotas for particular industries.

Corporate borrowers in the wholesale and service sectors constituted the largest portion of our corporate loans during the Track Record Period and as of 31 December 2010, 2011 and 2012 and 30 September 2013, accounted for 29.2%, 43.6%, 36.2% and 36.0%, respectively, of our total corporate loans.

Corporate borrowers in the manufacturing sector constituted the second largest portion of our corporate loans during the Track Record Period and as of 31 December 2010, 2011 and 2012 and 30 September 2013, accounted for 23.2%, 21.5%, 21.1% and 21.7%, respectively, of our total corporate loans. This was generally attributable to our efforts to maintain and develop customers in the manufacturing industry, which is a key industry in Northern China.

As of 31 December 2010, 2011 and 2012 and 30 September 2013, our corporate loans in the construction sector accounted for 7.9%, 3.7%, 6.4% and 9.0%, respectively, of our total corporate loans. Our corporate loans in the construction sector increased since 2011 as the sector gradually recovered from the adverse impact of the global financial crisis.

Personal Loans

The following table sets forth a breakdown of our personal loans by product type as of the dates indicated.

	As of 31 December						As of 30 September	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Loans to Small Enterprise								
Owners	8,443.6	35.7	11,540.0	39.6	13,731.2	39.4	14,966.8	36.6
Personal consumption								
loans	7,363.2	31.1	8,909.6	30.6	11,203.3	32.2	14,294.4	35.0
Loans to farmers	7,861.4	33.2	8,690.1	29.8	9,875.6	28.4	11,608.2	28.4
Total personal loans	23,668.2	100.0	29,139.7	100.0	34,810.1	100.0	40,869.4	100.0

Loans to Small Enterprise Owners are the largest component of our personal loans. Our loans to Small Enterprise Owners increased by 36.7% from RMB8,443.6 million as of 31 December 2010 to RMB11,540.0 million as of 31 December 2011, and further increased by 19.0% to RMB13,731.2 million as of 31 December 2012. As of 30 September 2013, our loans to Small Enterprise Owners totalled RMB14,966.8 million, representing a 9.0% increase compared to 31 December 2012. The increases in our loans to Small Enterprise Owners during the Track Record Period were primarily due to our implementation of national policies that supported financial services for SMEs, rural areas and personal credit services during the Track Record Period. Among the personal loans offered by us, loans to Small Enterprise Owners are services supported by the PRC government. In response to the PRC government's policies, we have focused on the development of our featured microcredit business as part our strategy, and have actively developed financial services for Small Enterprise Owners.

ASSETS AND LIABILITIES

Our personal consumption loans increased by 21.0% from RMB7,363.2 million as of 31 December 2010 to RMB8,909.6 million as of 31 December 2011, and further increased by 25.7% to RMB11,203.3 million as of 31 December 2012. As of 30 September 2013, our personal consumption loans totalled RMB14,294.4 million, representing an increase of 27.6% from RMB11,203.3 million as of 31 December 2012. Our personal consumption loans increased during the Track Record Period mainly because (i) we diversified our consumer credit product portfolio to satisfy the growing needs of customers; and (ii) we strengthened our marketing capabilities in developing our personal consumption loans business. We leveraged on our specialised sub-branches, which provide residential mortgage loans, car loans, civil servant loans and other loan products, and conducted various marketing activities in our business outlets and districts to actively promote our consumer credit products.

Our loans to farmers increased by 10.5% from RMB7,861.4 million as of 31 December 2010 to RMB8,690.1 million as of 31 December 2011, and further increased by 13.6% to RMB9,875.6 million as of 31 December 2012. As of 30 September 2013, loans to farmers totalled RMB11,608.2 million, representing an increase of 17.5% compared to 31 December 2012. In recent years, the PRC government has focused on improving financial services for rural areas and encouraging commercial banks to develop their lending business to farmers. In response to these government initiatives, we adhered to our strategy to focus on the development of our featured microcredit business and diversified our loan products to farmers. During the Track Record Period, our loans to farmers expanded from the Harbin region to most of the areas in Heilongjiang Province, and further extended to Northwest, Southwest and other regions in the PRC, which increased the customer base of our loans to farmers.

Discounted Bills

The following table sets forth a breakdown of our discounted bills by type of obligors as of the dates indicated.

	As of 31 December						As of 30 September	
	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	6,726.0	97.0	3,433.4	91.7	1,319.5	98.0	2,485.3	99.3
Commercial acceptance bills	209.6	3.0	309.6	8.3	26.7	2.0	16.3	0.7
Total discounted bills	<u>6,935.6</u>	<u>100.0</u>	<u>3,743.0</u>	<u>100.0</u>	<u>1,346.2</u>	<u>100.0</u>	<u>2,501.6</u>	<u>100.0</u>

We engage in discounted bills business in compliance with the PRC's national financial policies, industrial policies and our credit policies and principles of operation, and have integrated the business into our credit management and risk control systems. In the process of our commercial acceptance bills business, we generally require the acceptors to have good credit, solvency and profitability. During the Track Record Period, substantially all of our discounted bill portfolios were bank acceptance bills. As of 31 December 2010, 2011 and 2012 and 30 September 2013, bank acceptance bills accounted for 97.0%, 91.7%, 98.0% and 99.3%, respectively, of our total discounted bills. Our discounted bills decreased during the Track Record Period primarily because we adjusted our lending portfolios to respond to the changes in the national macroeconomic policies to control the scale of bank lending in the PRC.

ASSETS AND LIABILITIES

Distribution of Loans by Geographical Region

We classify loans geographically based on the geographical location of the outlets that originate the loans. Our outlets generally originate loans to borrowers located in the same geographical regions where they are located. The following table sets forth, as of the dates indicated, the distribution of our loan portfolio by geographical region.

	As of 31 December						As of 30 September	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Heilongjiang region ⁽¹⁾	41,843.4	77.5	48,178.0	70.3	43,112.1	49.4	54,665.3	52.0
Other Northeast region ⁽²⁾	5,578.4	10.3	8,545.6	12.5	23,787.5	27.2	17,189.7	16.4
Southwest region ⁽³⁾	2,946.7	5.5	6,433.9	9.4	11,834.1	13.6	21,713.9	20.7
Northern China ⁽⁴⁾	3,366.0	6.2	4,326.9	6.3	6,273.8	7.2	8,142.5	7.8
Other regions ⁽⁵⁾	290.1	0.5	999.4	1.5	2,256.9	2.6	3,299.0	3.1
Total loans to customers	<u>54,024.6</u>	<u>100.0</u>	<u>68,483.8</u>	<u>100.0</u>	<u>87,264.4</u>	<u>100.0</u>	<u>105,010.4</u>	<u>100.0</u>

Notes:

- (1) Heilongjiang region: our headquarters, Harbin Branch, Shuangyashan Branch, Jixi Branch, Hegang Branch, Suihua Branch, Daqing Branch, Qitaihe Branch, Mudanjiang Branch, Jiamusi Branch and Qiqihar Branch and the Village and Township Banks operating in Heilongjiang Province.
- (2) Other Northeast region: Dalian Branch, Shenyang Branch and the Village and Township Banks operating in the Northeast region excluding Heilongjiang Province.
- (3) Southwest region: Chengdu Branch, Chongqing Branch and the Village and Township Banks operating in Southwest region, mainly including Sichuan Province and the city of Chongqing.
- (4) Northern China: Tianjin Branch and the Village and Township Banks operating in Northern China, mainly including the city of Beijing and Hebei Province.
- (5) Other regions: other Village and Township Banks except those operating in the above regions.

Our loan business is focused in the Heilongjiang region. Loans in the Heilongjiang region increased by 15.1% from RMB41,843.4 million as of 31 December 2010 to RMB48,178.0 million as of 31 December 2011, but decreased by 10.5% to RMB43,112.1 million as of 31 December 2012. The proportion of loans in the Heilongjiang region to our total loans and advances to customers decreased from 77.5% as of 31 December 2010 to 70.3% as of 31 December 2011, and further decreased to 49.4% as of 31 December 2012. The fluctuation in our loans in the Heilongjiang region and the decrease in our loans in the Heilongjiang region relative to our total loans and advances to customers were primarily due to the expansion of our lending business to areas outside of the Heilongjiang region. Our loans in the Heilongjiang region increased by 26.8% from RMB43,112.1 million as of 31 December 2012 to RMB54,665.3 million as of 30 September 2013, and their proportion to our total loans and advances to customers increased from 49.4% as of 31 December 2012 to 52.0% as of 30 September 2013. These increases were mainly attributable to (i) an increase in demand for loans in the Heilongjiang region during the above-mentioned period; and (ii) growth in our business outlets in the Heilongjiang region.

Our loans in Other Northeast region increased by 53.2% from RMB5,578.4 million as of 31 December 2010 to RMB8,545.6 million as of 31 December 2011, and further increased by 178.4% to RMB23,787.5 million as of 31 December 2012. The proportion of these loans to our total loans and advances to customers increased from 10.3% as of 31 December 2010 to 12.5% as of 31 December 2011,

ASSETS AND LIABILITIES

and further increased to 27.2% as of 31 December 2012. These increase were mainly due to the expansion of our business and expansion of our network of business outlets in the region. Our loans in the Other Northeast region decreased by 27.7% from RMB23,787.5 million as of 31 December 2012 to RMB17,189.7 million as of 30 September 2013, and their proportion to our total loans and advances to customers decreased from 27.2% as of 31 December 2012 to 16.4% as of 30 September 2013. These decreases were primarily due to a slowdown in the expansion of our branch outlets in the Other Northeast region during this period and the concentrated extension of new loans to other regions such as Heilongjiang region and the Southwest region upon maturity of the existing loans.

During the Track Record Period, our loan business in the Southwest region grew rapidly. Loans extended in the Southwest region increased by 118.3% as of 31 December 2011 compared to 31 December 2010, and further increased by 83.9% compared to 31 December 2011. As of 30 September 2013, our credit business in the Southwest region increased by 83.5% compared to 31 December 2012. The growth in our loans in the Southwest region during the Track Record Period was mainly due to business growth of our Chongqing branch and Chengdu branch as a result of the development of local economies. The proportion of our loans in the Southwest region to our total loans and advances to customers increased from 5.5% as of 31 December 2010 to 20.7% as of 30 September 2013.

Distribution of Loans by Collateral

Loans secured by mortgages, pledges and guarantees, in aggregate, represented 95.7%, 95.1%, 94.8%, and 96.3% of our total loans and advances to customers as of 31 December 2010, 2011 and 2012 and 30 September 2013, respectively. If a loan is secured by more than one form of security, it is allocated to the category representing the primary form of security. The following table sets forth, as of the dates indicated, the distribution of our loans by collateral.

	As of 31 December						As of 30 September	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Unsecured loans	2,338.8	4.3	3,358.8	4.9	4,547.3	5.2	3,892.2	3.7
Guaranteed loans	20,309.8	37.6	29,474.7	43.0	35,397.0	40.6	46,590.2	44.4
Collateralised								
loans	20,156.9	37.3	23,137.9	33.8	31,953.4	36.6	40,889.7	38.9
Pledged loans	11,219.1	20.8	12,512.4	18.3	15,366.7	17.6	13,638.3	13.0
Total loans to customers	54,024.6	100.0	68,483.8	100.0	87,264.4	100.0	105,010.4	100.0

During the Track Record Period, loans that were guaranteed or secured by collateral accounted for a significant portion of our total loans to customers. We extend unsecured loans to customers with relatively high credit ratings based on our internal customer rating criteria. In order to effectively manage and control potential risks associated with unsecured loans, we have implemented stringent conditions for granting unsecured loans. We generally require certain conditions to be met for granting unsecured loans to a corporate loan applicant, such as the credit rating and financial ratios of the customers, business relationship with us and the size of the loan.

Borrower Concentration

In accordance with applicable PRC banking laws and regulations, we are subject to a lending limit of 10% of our net capital to any single borrower.

ASSETS AND LIABILITIES

We extended a loan to Harbin Qunli New District Real Estate Development Company Limited (哈爾濱市群力新區房地產開發有限責任公司), a wholly state-owned enterprise under the Harbin City government, for the development of infrastructure facilities of a piece of land in Harbin. As of 31 May 2010, this loan balance was RMB3,000 million and exceeded 10% of our net capital. This loan was reported to the relevant regulatory authority. Since June 2010, the borrower started to repay the loan and the loan balance was reduced to RMB550.0 million as of 30 June 2010, representing 9.82% of our net capital. This loan was fully repaid in July 2012. Throughout the duration of this loan, we were not notified by the relevant PRC regulatory authorities of non-compliance with the 10% lending limit. As of the Latest Practicable Date, we had not been subject to any penalty from the PRC regulatory authorities, nor had any PRC regulatory authorities raised any issue during any of their past inspections of our Bank or in any of the regulatory reports issued by them in connection with this non-compliance. Our Directors believe that the above incident did not have any material adverse effect on our business, financial condition or results of operations.

Save as disclosed above, during the Track Record Period, our Bank was in compliance with the lending limit of 10% of our net capital to any single borrower.

The following table sets forth, as of 30 September 2013, our 10 largest single borrowers (excluding group borrowers) in terms of loan balance, none of which was a non-performing loan as of 30 September 2013.

		As of 30 September 2013		
Industry		Loan balance	% of total loans ⁽¹⁾	% of net capital ⁽²⁾
(In millions of RMB, except percentages)				
Borrower A	Wholesale and services	1,000.0	0.94	4.64
Borrower B	Water conservation, environment and public utility management and investment	500.0	0.48	2.32
Borrower C	Transportation, storage and postal services	500.0	0.48	2.32
Borrower D	Water conservation, environment and public utility management and investment	500.0	0.48	2.32
Borrower E	Real estate	500.0	0.48	2.32
Borrower F	Agriculture, forestry, husbandry and fishery	450.0	0.43	2.09
Borrower G	Wholesale and services	440.0	0.42	2.04
Borrower H	Rental, commercial services	435.0	0.41	2.02
Borrower I	Water conservation, environment and public utility management and investment	410.0	0.39	1.90
Borrower J	Wholesale and services	400.0	0.38	1.86
Total		<u>5,135.0</u>	<u>4.89</u>	<u>23.83</u>

Notes:

- (1) Represents loan balances as a percentage of our total loans.
- (2) Represents loan balances as a percentage of our net capital. Our net capital as of 30 September 2013 was calculated in accordance with the requirements of New Capital Adequacy Measures. See “Financial Information – Capital Resources – Capital Adequacy”.

Under applicable PRC banking laws and regulations, we are subject to a lending limit of 15% of our net capital to any group borrower. We may identify borrowers belonging to the same group in accordance with the CBRC guidelines. We established and implemented relevant policies and procedures to identify loan applicants belonging to the same group in the course of credits extensions. As of 31 December 2010, 2011 and 2012 and 30 September 2013, none of our credits to any group borrowers exceeded 15% of our net capital.

ASSETS AND LIABILITIES

The following table sets forth, as of 30 September 2013, our 10 largest group borrowers (excluding single borrowers), in terms of credit facility balances, none of which was a non-performing loan as of 30 September 2013.

		As of 30 September 2013			
Industry		Credit balance ⁽¹⁾	% of net capital ⁽²⁾	Loan balance	% of total loans ⁽³⁾
(In millions of RMB, except percentages)					
Borrower A	Agriculture, forestry, husbandry and fishery	1,270.4	5.90	978.4	0.93
Borrower B	Wholesale and services	1,118.0	5.19	1,118.0	1.05
Borrower C	Wholesale and services	1,000.0	4.64	1,000.0	0.95
Borrower D	Residential and other services	767.6	3.56	829.0	0.79
Borrower E	Wholesale and services	625.0	2.90	805.0	0.77
Borrower F	Real estate	527.0	2.45	527.0	0.50
Borrower G	Water conservation, environment and public utility management and investment	500.0	2.32	500.0	0.48
Borrower H	Real estate	500.0	2.32	500.0	0.48
Borrower I	Water conservation, environment and public utility management and investment	500.0	2.32	500.0	0.48
Borrower J	Transportation, storage and postal services	500.0	2.32	500.0	0.48
Total		<u>7,308.0</u>	<u>33.92</u>	<u>7,257.4</u>	<u>6.91</u>

Notes:

- (1) Represents credit balance net of the amount of margin deposit provided by a client, bank deposit receipts and treasury bonds.
- (2) Represents credit balance as a percentage of our net capital. Our net capital as of 30 September 2013 was calculated in accordance with the requirements of New Capital Adequacy Measures. See “Financial Information – Capital Resources – Capital Adequacy”.
- (3) Represents loan balances as a percentage of our total loans.

Maturity Profile of Loans to Customers

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

	As of 30 September 2013					
	Due within three months	Due between three months to one year	Due between one to five years	Due more than five years	Overdue ⁽¹⁾	Total
(in millions of RMB)						
Corporate loans	11,692.2	39,230.0	7,386.4	2,785.1	545.7	61,639.4
Personal loans	4,459.0	18,952.9	4,695.8	12,009.9	751.8	40,869.4
Discounted bills	2,264.2	237.3	–	–	0.1	2,501.6
Total loans to customers	<u>18,415.4</u>	<u>58,420.2</u>	<u>12,082.2</u>	<u>14,795.0</u>	<u>1,297.6</u>	<u>105,010.4</u>

Note:

- (1) Overdue loans include loans to customers with designated repayment date, which are categorised as overdue loans when the principal or interest is past due. For instalment loans, the entire loans are categorised as overdue if part of the instalments is overdue.

As of 30 September 2013, 73.2% of our total loans and advances to customers had maturities of less than one year. We may renew certain loans that come due upon request by borrowers with good credit records. Renewal of such loans is considered as new loans and is subject to the credit approval policies and procedures for issuing new loans.

ASSETS AND LIABILITIES

Loan Interest Rate Profile

In recent years, as part of the overall reform of the PRC banking system, the PBOC has implemented a series of initiatives to gradually liberalise interest rates and move towards a more market-based interest rate regime. In July 2013, the PBOC removed the lower limit of the floating range of lending interest rates, providing more flexibility to the commercial banks in the PRC to determine their own lending interest rates. To manage interest rate risk, we usually set a floating interest rate for loans with a maturity period of more than one year. We generally set a fixed interest rate for loans with a maturity period equal to or less than one year. For loans with floating interest rates, we generally adjust our interest rates on the first day of the year or month that is subsequent to the year or month in which the benchmark interest rates are adjusted.

Since 27 October 2008, the interest rates of personal home mortgage loans have been set at a level of not less than 70% of the PBOC benchmark lending rate. According to the relevant notice issued by the State Council, since 17 April 2010 the interest rate of personal home mortgage loans to second-home buyers may not be lower than 110% of the PBOC benchmark lending rate. See “Supervision and Regulation – PRC Banking Supervision and Regulation – Pricing of Products and Services”.

Asset Quality of Our Loan Portfolio

We measure and monitor the asset quality of our loan portfolio using a five-category loan classification system in compliance with the CBRC guidelines. See “Supervision and Regulation – PRC Banking Supervision and Regulation – Loan Classification, Allowances and Write-offs – Loan Classification”. In order to further strengthen our category management of lending risk and implement dynamic management of lending risk and risk measurement, we have adopted refined risk-based classification criteria for various types of loans. See “Risk Management – Major Risk Management – Credit Risk Management”.

Loan Classification Criteria

We classify our loan portfolio based on a series of criteria that are derived from the CBRC guidelines. These criteria are designed to assess the likelihood of repayment by the borrower and the collectability of principal and interest on loans.

Corporate Loan and Discounted Bills

We classify our corporate loans and discounted bills into five categories, and we further classify our corporate loans into more detailed sub-categories, to strengthen our risk management of corporate loans. When classifying our corporate loans (other than the Small Enterprises with a credit limit of less than RMB20 million), we mainly consider the following factors: the operation, cash flow and financial condition of borrowers and the overdue time for repayment of principal or interest. Key factors we consider in classifying our corporate loans, include, among others, the following:

Pass. A loan is classified as “pass” if the borrower is able to perform the contract, and there is no other reason to doubt its ability to repay the loan in full on a timely basis.

Special Mention. A loan is classified as “special mention” if the borrower is currently able to repay its loans, but there have been factors that may adversely affect the borrower’s ability to repay the loans. For example:

- the status of borrower’s business operations, revenue principal businesses and operating cash flow are relatively average;

ASSETS AND LIABILITIES

- the key financial indicators are volatile to a certain extent and show a tendency to decline, but have not directly led to any effect upon the loan repayment;
- the industry where the borrower operates is in a downturn, and that macroeconomic change, the industry cycle and adjustment policies are all unfavourable to the borrower's operations;
- the secondary repayment resource is unstable; or
- the payment for the principal or interest is overdue for not more than 90 days.

Substandard. A loan is classified as “substandard” if there are obvious problems with the borrower's ability to repay its loans. The borrower cannot rely entirely on revenues to repay its loans, and losses may ensue even when collateral or guarantees are invoked. For example:

- the borrower has experienced an operating loss, and it is uncertain whether the business of the borrower can be sustained;
- the financial indicators of the borrower have deteriorated significantly, and the borrower has financial difficulty such that its cash flow generated from operating activities cannot fully cover the payment for the principal and interest when they are due;
- the borrower does not have sufficient ability to repay or does not have sufficient collateral, which indicates an existing problem with its full payment for the principal and interest; or
- the payment for the principal or interest is overdue for more than 90 days but no more than 360 days.

Doubtful. A loan is classified as “doubtful” if the borrower cannot repay loans in full and significant losses will be incurred even when collateral or guarantees are enforced. For example:

- the borrower suffers a serious loss, and is unable to maintain its business operations nor can it pay the principal and interest;
- the borrower's operations have been suspended, and the construction of the project underlying its fixed asset loan is halted or delayed;
- the guarantor is unable to provide the guarantee;
- the payment remains overdue after restructuring or the borrower remains unable to repay; or
- the payment for the principal or interest is overdue for more than 360 days.

Loss. A loan is classified as “loss” if no principal or interest or only a very small portion thereof can be recovered after all possible measures have been taken and all legal remedies have been exhausted. For example:

- the borrower and guarantor are both insolvent, their status as corporate entities has been terminated, and they are unable to repay the principal or interest; or
- the estimated ratio of loan loss is more than 90%.

We put emphasis on the control over the quality of loans to Small Enterprises. For any loan to Small Enterprises with a credit limit below RMB20 million, we apply a more tailored set of criteria to classify such loans based on the possibility of full and due payment by Small Enterprises for the principal of and interest on such loans, the overdue period of the payment for the principal of or interest on such loans, and the status of the guarantee for such loans, in accordance with the requirements set by the CBRC.

ASSETS AND LIABILITIES

The following table sets forth the classification of our loans to Small Enterprises with credit facilities below RMB20 million in terms of the overdue periods of the loans.

	<u>Not due</u>	<u>Overdue between one and 30 days</u>	<u>Overdue between 31 and 90 days</u>	<u>Overdue between 91 and 180 days</u>	<u>Overdue between 181 and 360 days</u>	<u>Overdue for 361 days</u>
Unsecured . . .	Pass	Special mention	Substandard	Doubtful	Doubtful	Loss
Guarantee	Pass	Pass	Special mention	Substandard	Doubtful	Loss
Mortgage	Pass	Pass	Special mention	Special mention	Substandard	Doubtful
Pledge	Pass	Pass	Special mention	Special mention	Substandard	Doubtful

Personal Loans

We refer to our risk-based criteria used in classifying loans to Small Enterprises in classifying our loans to Small Enterprise Owners. In applying relevant risk-based classification criteria to personal consumption loans and loans to farmers, we mainly consider the overdue period of the principal or interest and the status of the guarantee relating to the loan.

The following table sets forth the classification of our personal loans in terms of the overdue periods of the loans.

	<u>Not due</u>	<u>Overdue between 1 and 30 days</u>	<u>Overdue between 31 and 60 days</u>	<u>Overdue between 61 and 90 days</u>	<u>Overdue between 91 and 120 days</u>	<u>Overdue between 121 and 180 days</u>	<u>Overdue between 181 and 270 days</u>	<u>Overdue between 271 and 360 days</u>	<u>Overdue for 361 days and above</u>
Unsecured . . .	Pass	Special mention	Special mention	Substandard	Substandard	Doubtful	Doubtful	Doubtful	Loss
Guarantee	Pass	Pass	Special mention	Special mention	Substandard	Substandard	Doubtful	Doubtful	Loss
Mortgage	Pass	Pass	Special mention	Special mention	Special mention	Special mention	Substandard	Substandard	Doubtful
Pledge	Pass	Pass	Special mention	Special mention	Special mention	Special mention	Substandard	Substandard	Doubtful

Credit Cards

The following table sets forth the classification of our credit card overdraft business in terms of the overdue periods of the loans:

<u>Not due</u>	<u>Overdue between 1 and 90 days</u>	<u>Overdue between 91 and 120 days</u>	<u>Overdue between 121 and 180 days</u>	<u>Overdue for 181 days and above</u>
Pass	Special mention	Substandard	Doubtful	Loss

ASSETS AND LIABILITIES

Distribution of Loans by Loan Classification

The following table sets forth, as of the dates indicated, our loans to customers in each category of our five-category loan classification. We use the term “non-performing loans” and “impaired loans” synonymously to refer to the loans identified as “impaired loans and advances to customers” in Note 22 to the Accountants’ Report in Appendix I to this prospectus. Under our five-category loan classification system, our non-performing loans are classified as substandard, doubtful and loss, as applicable.

	As of 31 December						As of 30 September	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Pass	53,028.4	98.2	66,711.1	97.4	86,128.3	98.7	102,751.5	97.9
Special mention	568.3	1.1	1,350.5	2.0	579.9	0.7	1,357.0	1.3
Substandard	22.5	0.0	89.5	0.1	377.6	0.4	471.3	0.4
Doubtful	284.2	0.5	246.0	0.4	94.9	0.1	244.3	0.2
Loss	121.2	0.2	86.7	0.1	83.7	0.1	186.3	0.2
Total loans and advances to customers	<u>54,024.6</u>	<u>100.0</u>	<u>68,483.8</u>	<u>100.0</u>	<u>87,264.4</u>	<u>100.0</u>	<u>105,010.4</u>	<u>100.0</u>
NPLs and NPL ratio⁽¹⁾	427.9	0.79%	422.2	0.62%	556.2	0.64%	901.9	0.86%

Note:

(1) NPL ratio is calculated by dividing non-performing loans by total loans and advances to customers.

ASSETS AND LIABILITIES

The following table sets forth, as of the dates indicated, the distribution of our loans by business type under the five-category loan classification system.

	As of 31 December						As of 30 September	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Corporate loans								
Pass	22,848.2	97.6%	34,999.2	98.4%	50,562.9	98.9%	60,693.2	98.5%
Special mention	358.7	1.5%	420.8	1.2%	423.4	0.8%	734.7	1.2%
Substandard	0.5	0.0%	52.5	0.1%	29.4	0.1%	99.8	0.2%
Doubtful	118.6	0.5%	44.4	0.1%	9.8	0.0%	26.5	0.0%
Loss	94.8	0.4%	84.2	0.2%	82.6	0.2%	85.2	0.1%
Subtotal	<u>23,420.8</u>	<u>100.0%</u>	<u>35,601.1</u>	<u>100.0%</u>	<u>51,108.1</u>	<u>100.0%</u>	<u>61,639.4</u>	<u>100.0%</u>
NPLs and NPL ratio⁽¹⁾								
	213.9	0.91%	181.1	0.51%	121.8	0.24%	211.5	0.34%
Personal loans								
Pass	23,244.6	98.2%	27,968.9	96.0%	34,219.2	98.4%	39,556.7	96.9%
Special mention	209.6	0.9%	929.7	3.2%	156.5	0.4%	622.3	1.5%
Substandard	22.0	0.1%	37.0	0.1%	348.2	1.0%	371.5	0.9%
Doubtful	165.6	0.7%	201.6	0.7%	85.1	0.2%	217.8	0.5%
Loss	26.4	0.1%	2.5	0.0%	1.1	0.0%	101.1	0.2%
Subtotal	<u>23,668.2</u>	<u>100.0%</u>	<u>29,139.7</u>	<u>100.0%</u>	<u>34,810.1</u>	<u>100.0%</u>	<u>40,869.4</u>	<u>100.0%</u>
NPLs and NPL ratio⁽¹⁾								
	214.0	0.90%	241.1	0.83%	434.4	1.25%	690.4	1.69%
Discounted bills								
Pass	6,935.6	100.0%	3,743.0	100.0%	1,346.2	100.0%	2,501.6	100.0%
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Subtotal	<u>6,935.6</u>	<u>100.0%</u>	<u>3,743.0</u>	<u>100.0%</u>	<u>1,346.2</u>	<u>100.0%</u>	<u>2,501.6</u>	<u>100.0%</u>
Total loans and advances to customers								
	<u>54,024.6</u>		<u>68,483.8</u>		<u>87,264.4</u>		<u>105,010.4</u>	
NPL and NPL ratio⁽¹⁾								
	427.9	0.79%	422.2	0.62%	556.2	0.64%	901.9	0.86%

Note:

(1) NPL ratio is calculated by dividing non-performing loans of each business type by total loans and advances to customers.

As of 31 December 2010, 2011 and 2012 and 30 September 2013, the non-performing loan ratios of our total loan portfolio were 0.79%, 0.62%, 0.64% and 0.86%, respectively. Our non-performing loan ratios were maintained at a relatively low level during the Track Record Period, which was primarily due to the following reasons:

- we formulated our risk management policies every year and adjusted our relevant risk management policies and loan extensions from time to time according to market conditions and our business objectives;
- we continued improving our credit risk management capabilities, strengthened the management and guidance at different stages of our lending businesses, such as pre-approval

ASSETS AND LIABILITIES

investigation, credit review and credit approval, and adopted tailored credit risk management measures for different business lines, sectors and regions;

- we continued enhancing post-disbursement management by improving the early intervention mechanism of non-performing loans and optimising staffing to strengthen the forward-extended management as well as tracking, pre-warning and notification of non-performing loans, which contributed to more timely detection and control of non-performing loans; and
- we increased our efforts to recover non-performing loans as requested by our headquarters.

Our non-performing loan ratio increased from 0.64% as of 31 December 2012 to 0.86% as of 30 September 2013. This increase was mainly due to the impact of floods in Heilongjiang in the summer of 2013 and the fluctuation of grain prices, resulting in an increase of overdue loans to farmers and a consequent increase in our non-performing loans.

Distribution of Non-Performing Loans by Business Lines

The following table sets forth, as of the dates indicated, our non-performing loans by business lines.

	As of 31 December									As of 30 September		
	2010			2011			2012			2013		
	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾
(in millions of RMB, except percentages)												
Corporate loans												
Loans to Small												
Enterprises	26.7	6.3	0.30%	64.1	15.2	0.42%	46.0	8.3	0.19%	140.8	15.7	0.44%
Other corporate loans excluding loans to												
Small Enterprises	187.2	43.7	1.30%	117.0	27.7	0.57%	75.8	13.6	0.28%	70.7	7.8	0.24%
Subtotal	213.9	50.0	0.91%	181.1	42.9	0.51%	121.8	21.9	0.24%	211.5	23.5	0.34%
Personal loans												
Loans to Small												
Enterprise Owners	82.5	19.3	0.98%	60.9	14.4	0.53%	119.1	21.5	0.87%	149.1	16.5	1.00%
Personal consumption												
loans	45.1	10.5	0.61%	52.9	12.5	0.59%	68.1	12.2	0.61%	95.6	10.6	0.67%
Loans to farmers	86.4	20.2	1.10%	127.3	30.2	1.46%	247.2	44.4	2.50%	445.7	49.4	3.84%
Subtotal	214.0	50.0	0.90%	241.1	57.1	0.83%	434.4	78.1	1.25%	690.4	76.5	1.69%
Discounted bills	–	–	–	–	–	–	–	–	–	–	–	–
NPL and NPL ratio	427.9	100.0	0.79%	422.2	100.0	0.62%	556.2	100.0	0.64%	901.9	100.0	0.86%

Note:

(1) NPL ratio is calculated by dividing non-performing loans of each business line by total loans and advances to customers.

The non-performing loan ratio of corporate loans decreased from 0.91% as of 31 December 2010 to 0.51% as of 31 December 2011, and further decreased to 0.24% as of 31 December 2012. The amounts of non-performing loans also declined during the three years ended 31 December 2012. These declines were primarily because (i) we continued improving the overall credit risk management capacity of our corporate loans to ensure a relatively high quality of new loans; (ii) we increased our efforts to recover non-performing corporate loans since 2010; and (iii) we increased our lending scale. Among our corporate loans, the non-performing loan ratios of loans to Small Enterprises increased from 0.30% as of 31 December 2010 to 0.42% as of 31 December 2011. The amounts of non-performing loans also increased, mainly because of loan delinquency by certain Small Enterprises along with an increase in our

ASSETS AND LIABILITIES

loans to Small Enterprises. We have enhanced our credit risk management capabilities to seek to control further increases in the non-performing loan ratios of our corporate loans to Small Enterprises. As of 30 September 2013, our non-performing loan ratio of corporate loans was 0.34%, representing an increase over 0.24% as of 31 December 2012. The increase was primarily due to a slowdown of the development of the PRC's economy, which caused the financial condition of some of the Small Enterprises to deteriorate resulting in increases in accounts receivable and non-performing loans.

The non-performing loan ratios of personal loans decreased from 0.90% as of 31 December 2010 to 0.83% as of 31 December 2011, mainly because we (i) adjusted our personal loan portfolios and reduced the proportion of loans that had relatively high non-performing loan ratios; and (ii) continued improving our overall credit risk management capabilities of personal loans. In particular, we strengthened our post-disbursement management capabilities of personal loans by improving the early intervention mechanism of non-performing loans and increased staffing. The overall non-performing loan ratios of personal loans increased from 0.83% as of 31 December 2011 to 1.25% as of 31 December 2012, primarily as a result of the financial condition of some of our individual customers deteriorating in the economic downturn in the PRC, contributing to increases in accounts receivable and our non-performing loans. The overall non-performing loan ratios of personal loans increased from 1.25% as of 31 December 2012 to 1.69% as of 30 September 2013. The increase was mainly due to the impact of floods in Heilongjiang in the summer of 2013 and the fluctuation of grain prices, which resulted in an increase of overdue loans to farmers and a consequent increase in our non-performing personal loans.

ASSETS AND LIABILITIES

Distribution of Non-performing Corporate Loans by Industry

The following table sets forth, as of the dates indicated, the distribution of our non-performing corporate loans (excluding discounted bills) by industry.

	As of 31 December									As of 30 September		
	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)												
Agriculture, forestry, husbandry and fishery	-	-	-	-	-	-	-	-	-	-	-	-
Mining	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	27.9	13.1	0.51%	45.4	25.1	0.59%	35.0	28.8	0.32%	69.7	33.0	0.52%
Production and supply of electricity, gas and water	-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	9.4	7.7	0.29%	10.4	4.9	0.19%
Transportation, storage and postal services	0.3	0.1	0.05%	-	-	-	-	-	-	-	-	-
Information transmission, computer services and software	-	-	-	-	-	-	-	-	-	1.0	0.5	0.19%
Wholesale and services	63.8	29.8	0.93%	60.0	33.1	0.39%	73.2	60.1	0.40%	126.6	59.8	0.57%
Accommodation and catering	35.9	16.8	8.05%	33.9	18.7	4.42%	-	-	-	-	-	-
Finance	-	-	-	-	-	-	-	-	-	-	-	-
Real Estate	5.6	2.6	1.19%	41.6	23.0	4.58%	3.8	3.1	0.15%	3.4	1.6	0.19%
Rental, commercial services	-	-	-	-	-	-	0.4	0.3	0.02%	0.4	0.2	0.01%
Scientific research, technical services and geological prospecting	-	-	-	-	-	-	-	-	-	-	-	-
Water conservation, environment and public utility management and investment	-	-	-	-	-	-	-	-	-	-	-	-
Residential and other services	80.4	37.6	34.21%	0.2	0.1	0.10%	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-	-	-
Health, social security and social welfare	-	-	-	-	-	-	-	-	-	-	-	-
Culture, sports and entertainment	-	-	-	-	-	-	-	-	-	-	-	-
Public administration and social organisation	-	-	-	-	-	-	-	-	-	-	-	-
NPLs and NPL ratio	213.9	100.0	0.91%	181.1	100.0	0.51%	121.8	100.0	0.24%	211.5	100.0	0.34%

Note:

(1) NPL ratio is calculated by dividing non-performing loans in each industry by total loans and advances to customers.

ASSETS AND LIABILITIES

The non-performing loan ratios of our loans in the accommodation and catering sector, and in the residential and other services sectors dropped from 8.05% and 34.21%, respectively, as of 31 December 2010 to nil, in each case, as of 30 September 2013, primarily as a result of the effective recovery and write-off of such non-performing loans by analysing the causes of such non-performing loans extended to those sectors.

The non-performing loan ratio of our loans in the real estate sector increased from 1.19% as of 31 December 2010 to 4.58% as of 31 December 2011, primarily due to the effects of the austerity measures implemented by the PRC government in the real estate sector. This ratio declined from 4.58% as of 31 December 2011 to 0.15% as of 31 December 2012, mainly due to the recovery of the PRC real estate market and improvement of the financial condition of our customers in the real estate sector. As of 30 September 2013, our non-performing loan ratio of loans extended to the real estate sector was 0.19%, similar to that of 0.15% as of 31 December 2012.

The non-performing loan ratios of our loans in the manufacturing sector increased from 0.51% as of 31 December 2010 to 0.59% as of 31 December 2011, primarily due to the unstable global economic environment, a decrease in China's manufacturing exports and the challenges faced by the manufacturing sector as a result of structural adjustment of the domestic economy. These factors contributed to a slowdown in the manufacturing sector, and the weakening of the operational capability of certain customers in the manufacturing sector. The non-performing loan ratio of our loans in the manufacturing sector declined from 0.59% as of 31 December 2011 to 0.32% as of 31 December 2012, primarily because we continued improving the credit policies for lending in this sector, controlled the quality of new loans and increased our efforts to recover the non-performing loans in this sector by analysing the causes of such non-performing loans extended to this sector. As of 30 September 2013, our non-performing loan ratio of loans extended to the manufacturing sector was 0.52%, representing an increase compared to 0.32% as of 31 December 2012. The increase was mainly due to the economic downturn in the PRC, resulting in a slowdown in the domestic manufacturing sector.

The non-performing loan ratio of our loans in the wholesale and services sector decreased from 0.93% as of 31 December 2010 to 0.39% as of 31 December 2011. The decrease was primarily due to our improving the credit policies for this sector by analysing the causes of such non-performing loans extended this sector. The non-performing loan ratio of our loans in the wholesale and services sector was 0.40% as of 31 December 2012, similar to that of 0.39% as of 31 December 2011. As of 30 September 2013, the non-performing loan ratio of our loans extended to the wholesale and services sector increased to 0.57%. The increase in the non-performing loan ratio of our loans extended to the wholesale and services sector in 2013 was mainly due to the global economic downturn and inflation of commodity prices, which affected the financial condition of small- and medium-sized wholesale and services enterprises.

ASSETS AND LIABILITIES

Distribution of Non-performing Loans by Geographical Region

The following table sets forth, as of the dates indicated, the distribution of our non-performing loans by geographical region. For our definitions of geographical regions, see “– Distribution of Loans by Geographical Region”.

	As of 31 December									As of 30 September		
	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)												
Heilongjiang region	417.4	97.6	1.00%	401.2	95.0	0.83%	508.8	91.5	1.18%	840.8	93.3	1.54%
Other Northeast region	10.4	2.4	0.19%	18.9	4.5	0.22%	31.6	5.7	0.13%	39.1	4.3	0.23%
Southwest region	–	–	–	1.2	0.3	0.02%	–	–	–	3.0	0.3	0.01%
Northern China	0.1	0.0	0.00%	0.1	0.0	0.00%	8.0	1.4	0.13%	11.0	1.2	0.14%
Other regions	–	–	–	0.8	0.2	0.08%	7.8	1.4	0.35%	8.0	0.9	0.24%
NPLs and NPL ratio	<u>427.9</u>	<u>100.0</u>	<u>0.79%</u>	<u>422.2</u>	<u>100.0</u>	<u>0.62%</u>	<u>556.2</u>	<u>100.0</u>	<u>0.64%</u>	<u>901.9</u>	<u>100.0</u>	<u>0.86%</u>

Note:

(1) NPL ratio is calculated by dividing non-performing loans in each region by total loans and advances to customers.

A majority of our non-performing loans was concentrated in the Heilongjiang region, primarily because loans and advances to customers in the Heilongjiang region constituted the largest portion of our loans and advances to customers during the Track Record Period. In addition, our loans in the Heilongjiang region generally had higher NPL ratios than loans in other regions because loans to farmers, which typically have higher NPL ratios, accounted for a larger portion of our total loans in the Heilongjiang region than other regions. See “Risk Factors – Risks Relating to Our Loan Portfolio – We have a concentration of loans to certain industries and customers and if the condition of these industries or customers significantly deteriorates, our asset quality, financial condition and results of operations may be materially and adversely affected”.

Distribution of Non-performing Loans by Collateral

The following table sets forth the distribution of our non-performing loans by collateral as of the dates indicated.

	As of 31 December									As of 30 September		
	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)												
Collateralised loans	239.6	56.0	1.19%	182.2	43.2	0.79%	190.3	34.2	0.60%	280.8	31.1	0.69%
Pledged loans	57.8	13.5	0.52%	58.0	13.7	0.46%	59.5	10.7	0.39%	57.7	6.4	0.42%
Guaranteed loans	121.2	28.3	0.60%	174.0	41.2	0.59%	258.4	46.5	0.73%	528.1	58.6	1.13%
Unsecured loans	9.3	2.2	0.40%	8.0	1.9	0.24%	48.0	8.6	1.06%	35.3	3.9	0.91%
NPLs and NPL ratio	<u>427.9</u>	<u>100.0</u>	<u>0.79%</u>	<u>422.2</u>	<u>100.0</u>	<u>0.62%</u>	<u>556.2</u>	<u>100.0</u>	<u>0.64%</u>	<u>901.9</u>	<u>100.0</u>	<u>0.86%</u>

Note:

(1) NPL ratio is calculated by dividing non-performing loans of each security profile by total loans to customers.

ASSETS AND LIABILITIES

Ten Largest Non-performing Borrowers

The following table sets forth, as of 30 September 2013, our ten borrowers with the largest non-performing loan balances outstanding and the balances of their respective loans.

As of 30 September 2013					
Industry	Amount	Classification	% of total NPLs	% of total net capital ⁽¹⁾	
(in millions of RMB, except percentages)					
Borrower A	Wholesale and service	57.7	Loss	6.41	0.27
Borrower B	Wholesale and service	23.9	Substandard	2.65	0.11
Borrower C	Individual	20.5	Doubt	2.27	0.10
Borrower D	Individual	17.0	Doubt	1.88	0.08
Borrower E	Manufacturing	13.0	Loss	1.44	0.06
Borrower F	Wholesale and service	9.1	Substandard	1.01	0.04
Borrower G	Manufacturing	9.0	Substandard	1.00	0.04
Borrower H	Construction	9.0	Doubt	1.00	0.04
Borrower I	Wholesale and service	8.7	Substandard	0.96	0.04
Borrower J	Individual	6.7	Substandard	0.74	0.03
Total		174.6		19.36	0.81

Note:

- (1) Represents loans as a percentage of our net capital. We calculated our net capital as of 30 September 2013 in accordance with the New Capital Adequacy Measures. See “Financial Information – Capital Resources – Capital Adequacy”.

Distribution of Loans by Maturity

The following table sets forth, as of the dates indicated, the distribution of our loans and advances to customers by maturity.

	As of 31 December						As of 30 September	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Current loans	53,209.5	98.5	67,788.9	99.0	86,629.7	99.3	103,712.9	98.8
Loans past due ⁽¹⁾ :								
For 1 to 90 days	210.0	0.4	119.6	0.2	126.8	0.1	427.0	0.4
For 91 days to 1 year	367.2	0.7	290.0	0.4	329.6	0.4	427.2	0.4
For 1 year and above	237.9	0.4	285.3	0.4	178.3	0.2	443.3	0.4
Subtotal	815.1	1.5	694.9	1.0	634.7	0.7	1,297.5	1.2
Total loans to customers . . .	54,024.6	100.0	68,483.8	100.0	87,264.4	100.0	105,010.4	100.0

Note:

- (1) Loans to customers with specific repayment date are classified as overdue when the principal or interest becomes overdue. For instalment loans, if any portion of the loans is overdue, the full amount of such loans is classified as overdue.

Allowance for Impairment Losses on Loans to Customers

We assess our loans for impairment, determine the level of allowance for impairment losses and recognise any related provisions made in a year based on the guidelines for impairment under IAS 39. Our loans are reported net of the allowance for impairment losses on our consolidated balance sheet. Where there is objective evidence of possible impairment as a result of events occurring after the initial

ASSETS AND LIABILITIES

recognition of loans that may affect the estimated future cash flows of the loans, we perform assessments on individually significant loans to determine the allowance for impairment losses. The allowance for impairment losses of each of the loans is measured as the difference between the carrying value and the estimated recoverable amounts of the loans. The estimated recoverable amounts represent the present value of the estimated future cash flows of the loans, including, among other things, the recoverable value of the collateral.

Individually significant loans for which no evidence of impairment has been identified consist of loans classified as pass and special mention. These loans are assessed collectively for the purpose of determining the allowance for impairment losses. Personal loans that are not considered individually significant and have similar nature are also collectively assessed for the purpose of determining the allowance for impairment losses. The allowance for impairment losses of the collectively assessed loans is determined primarily based on our historical loss experience in similar portfolios and the prevailing economic conditions.

For a description of our methods in calculating the estimated recoverable amount of loans, see “Financial Information – Critical Accounting Judgements and Accounting Estimates – Impairment Losses on Loans to Customers, Due from and Placements with Banks and Investments in Receivables” in this prospectus and Note 45(a) to our consolidated financial statements included in Appendix I to this prospectus.

Distribution of Allowance for Impairment Losses by Loan Classification

The following table sets forth, as of the dates indicated, the distribution of our allowance for impairment losses by loan classification category.

	As of 31 December									As of 30 September		
	2010			2011			2012			2013		
	Amount	% of total	Allowance for loans ⁽¹⁾	Amount	% of total	Allowance for loans ⁽¹⁾	Amount	% of total	Allowance for loans ⁽¹⁾	Amount	% of total	Allowance for loans ⁽¹⁾
(in millions of RMB, except percentages)												
Pass	462.8	56.2	0.87%	1,129.1	77.0	1.69%	1,653.1	84.0	1.92%	1,877.0	79.1	1.83%
Special mention	11.4	1.4	2.00%	45.1	3.1	3.34%	27.2	1.4	4.69%	86.8	3.7	6.40%
Substandard ..	7.8	0.9	34.29%	26.6	1.8	29.78%	134.7	6.9	35.66%	106.5	4.5	22.60%
Doubtful	220.9	26.8	77.69%	178.1	12.2	72.39%	67.6	3.4	71.23%	115.4	4.9	47.24%
Loss	121.2	14.7	100.00%	86.7	5.9	100.00%	83.7	4.3	100.00%	186.3	7.8	100.00%
Total allowance for impairment losses of loans	824.1	100.0	1.53%	1,465.6	100.0	2.14%	1,966.3	100.0	2.25%	2,372.0	100.0	2.26%

Note:

- (1) Calculated by dividing the amount of the allowance for impairment losses on loans in each category by the total amount of loans in that category.

ASSETS AND LIABILITIES

The following table sets forth, as of the dates indicated, the distribution of our allowance for impairment losses by our five-category loan classification.

	As of 31 December									As of 30 September		
	2010			2011			2012			2013		
	Amount	% of total	Allowance for loans ⁽¹⁾	Amount	% of total	Allowance for loans ⁽¹⁾	Amount	% of total	Allowance for loans ⁽¹⁾	Amount	% of total	Allowance for loans ⁽¹⁾
(in millions of RMB, except percentages)												
Corporate loans and discounted bills												
Pass	230.3	27.9	0.77%	539.8	36.8	1.39%	978.3	49.7	1.88%	1,157.4	48.7	1.83%
Special mention	7.2	0.9	2.00%	10.5	0.7	2.50%	18.1	0.9	4.26%	46.9	2.0	6.38%
Substandard	0.2	0.0	31.46%	13.3	0.9	25.34%	7.3	0.4	24.84%	28.8	1.2	28.89%
Doubtful	116.7	14.2	98.37%	42.8	2.9	96.35%	6.9	0.4	70.24%	23.1	1.0	87.17%
Loss	94.8	11.5	100.00%	84.2	5.8	100.00%	82.6	4.2	100.00%	85.2	3.6	100.00%
Subtotal	<u>449.2</u>	<u>54.5</u>	1.48%	<u>690.6</u>	<u>47.1</u>	1.76%	<u>1,093.2</u>	<u>55.6</u>	2.08%	<u>1,341.4</u>	<u>56.5</u>	2.09%
Personal loans												
Pass	232.5	28.3	1.00%	589.3	40.2	2.11%	674.8	34.2	1.97%	719.6	30.3	1.82%
Special mention	4.2	0.5	2.00%	34.6	2.4	3.72%	9.1	0.5	5.83%	39.9	1.7	6.41%
Substandard	7.6	0.9	34.36%	13.3	0.9	36.06%	127.4	6.5	36.57%	77.7	3.3	20.91%
Doubtful	104.2	12.6	62.89%	135.3	9.2	67.10%	60.7	3.1	71.35%	92.3	3.9	42.38%
Loss	26.4	3.2	100.00%	2.5	0.2	100.00%	1.1	0.1	100.00%	101.1	4.3	100.00%
Subtotal	<u>374.9</u>	<u>45.5</u>	1.58%	<u>775.0</u>	<u>52.9</u>	2.66%	<u>873.1</u>	<u>44.4</u>	2.51%	<u>1,030.6</u>	<u>43.5</u>	2.52%
Total allowance for impairment losses of loans												
loans	<u>824.1</u>	<u>100.0</u>	1.53%	<u>1,465.6</u>	<u>100.0</u>	2.14%	<u>1,966.3</u>	<u>100.0</u>	2.25%	<u>2,372.0</u>	<u>100.0</u>	2.26%

Note:

- (1) Calculated by dividing the amount of the allowance for impairment losses on loans in each category by the total amount of loans in that category.

ASSETS AND LIABILITIES

Distribution of Allowance for Impairment Losses by Business Line

The following table sets forth, as of the dates indicated, the distribution of our allowance for impairment losses on loans to customers by business line.

	As of 31 December									As of 30 September		
	2010			2011			2012			2013		
	Amount	% of total	Allowance for loans ⁽¹⁾	Amount	% of total	Allowance for loans ⁽¹⁾	Amount	% of total	Allowance to loans ⁽¹⁾	Amount	% of total	Allowance for loans ⁽¹⁾
(in millions of RMB, except percentages)												
Corporate loans												
Loans to Small												
Enterprises	106.1	12.9	1.17%	194.4	13.3	1.28%	512.0	26.0	2.17%	654.2	27.6	2.07%
Other corporate loans excluding loans to Small												
Enterprises	341.0	41.4	2.37%	492.0	33.5	2.41%	572.3	29.1	2.08%	643.5	27.1	2.15%
Subtotal	447.1	54.3	1.91%	686.4	46.8	1.93%	1,084.3	55.1	2.12%	1,297.7	54.7	2.11%
Personal loans												
Loans to Small												
Enterprise Owners	130.3	15.8	1.54%	229.0	15.7	1.98%	255.5	13.0	1.86%	329.7	13.9	2.20%
Personal consumption loans	140.3	17.0	1.91%	338.7	23.1	3.80%	367.4	18.7	3.28%	310.1	13.1	2.17%
Loans to farmers	104.3	12.7	1.33%	207.3	14.1	2.39%	250.2	12.7	2.53%	390.8	16.5	3.37%
Subtotal	374.9	45.5	1.58%	775.0	52.9	2.66%	873.1	44.4	2.51%	1,030.6	43.5	2.52%
Discounted bills												
	2.1	0.2	0.03%	4.2	0.3	0.11%	8.9	0.5	0.66%	43.7	1.8	1.75%
Total allowance for impairment losses of loans												
	824.1	100.0	1.53%	1,465.6	100.0	2.14%	1,966.3	100.0	2.25%	2,372.0	100.0	2.26%

Note:

- (1) Calculated by dividing the amount of the allowance for impairment losses on loans in each category by the total amount of loans in that category.

ASSETS AND LIABILITIES

Distribution of Allowance for Impairment Losses by Geographical Region

The following table sets forth, as of the dates indicated, the distribution of our allowance for impairment losses on loans to customers by geographical region. For our definitions of geographical regions, see “– Distribution of Loans by Geographical Region”.

	As of 31 December									As of 30 September		
	2010			2011			2012			2013		
	Amount	% of total	Allowance for loans ⁽¹⁾	Amount	% of total	Allowance for loans ⁽¹⁾	Amount	% of total	Allowance to loans ⁽¹⁾	Amount	% of total	Allowance for loans ⁽¹⁾
(in millions of RMB, except percentages)												
Heilongjiang region	697.2	84.6	1.67%	1,184.9	80.9	2.46%	1,296.1	65.9	3.01%	1,408.9	59.5	2.58%
Other northeast region	64.0	7.8	1.15%	112.0	7.6	1.31%	235.4	12.0	0.99%	354.1	14.9	2.06%
Southwest region	28.9	3.5	0.98%	84.8	5.8	1.32%	254.1	12.9	2.15%	394.2	16.6	1.82%
Northern China	31.7	3.8	0.94%	71.9	4.9	1.66%	135.6	6.9	2.16%	156.8	6.6	1.93%
Other regions	2.3	0.3	0.78%	12.0	0.8	1.20%	45.1	2.3	2.00%	58.0	2.4	1.76%
Total allowance for impairment losses of loans	<u>824.1</u>	<u>100.0</u>	1.53%	<u>1,465.6</u>	<u>100.0</u>	2.14%	<u>1,966.3</u>	<u>100.0</u>	2.25%	<u>2,372.0</u>	<u>100.0</u>	2.26%

Note:

- (1) Calculated by dividing the amount of the allowance for impairment losses on loans in each category by the total amount of loans in that category.

ASSETS AND LIABILITIES

Distribution of Allowance for Impairment Losses on Corporate Loans by Industry

The following table sets forth, as of the dates indicated, the distribution of our allowance for impairment losses on corporate loans (excluding discounted bills) by industry.

	As of 31 December									As of 30 September		
	2010			2011			2012			2013		
	% of Allowance			% of Allowance			% of Allowance			% of Allowance		
	Amount	total	for loans ⁽¹⁾	Amount	total	for loans ⁽¹⁾	Amount	total	to loans ⁽¹⁾	Amount	total	for loans ⁽¹⁾
(in millions of RMB, except percentages)												
Agriculture, forestry, husbandry and fishery	6.8	1.5	1.15%	15.1	2.2	1.58%	42.2	3.9	1.85%	56.8	4.4	1.81%
Mining	1.0	0.2	1.01%	1.9	0.3	1.72%	16.9	1.6	1.92%	16.4	1.3	1.84%
Manufacturing	80.8	18.1	1.49%	156.4	22.8	2.04%	230.6	21.3	2.11%	298.9	23.0	2.23%
Production and supply of electricity, gas and water	7.3	1.6	1.15%	29.2	4.3	1.69%	32.4	3.0	2.22%	35.7	2.8	1.85%
Construction	17.3	3.9	0.93%	22.5	3.3	1.72%	72.3	6.7	2.21%	110.7	8.5	2.00%
Transportation, storage and postal services	6.9	1.5	1.03%	22.5	3.3	1.65%	18.8	1.7	1.93%	35.2	2.7	1.84%
Information transmission, computer services and software	1.5	0.3	0.50%	8.4	1.2	1.64%	10.7	1.0	1.68%	10.1	0.8	1.87%
Wholesale and services	135.2	30.4	1.98%	272.3	39.7	1.75%	437.6	40.2	2.36%	496.4	38.3	2.24%
Accommodation and catering	40.3	9.0	9.04%	46.1	6.7	6.02%	17.5	1.6	1.99%	19.1	1.5	1.85%
Finance	0.1	0.0	1.01%	0.1	0.0	2.00%	0.1	0.0	0.01%	7.8	0.6	1.84%
Real Estate	13.0	2.9	2.76%	29.0	4.2	3.20%	58.6	5.4	2.40%	42.6	3.2	2.39%
Rental, commercial services	19.2	4.3	0.88%	25.4	3.7	1.67%	47.2	4.4	1.84%	74.3	5.7	1.87%
Scientific research, technical services and geological prospecting	0.6	0.1	0.93%	2.4	0.3	1.72%	2.5	0.2	1.80%	3.7	0.3	1.84%
Water conservation, environment and public utility management and investment	28.6	6.4	1.00%	40.8	5.9	1.81%	39.1	3.6	1.28%	54.5	4.2	1.97%
Residential and other services	80.9	18.1	34.44%	3.7	0.6	1.75%	12.9	1.2	1.27%	19.4	1.5	1.84%
Education	5.7	1.3	1.01%	5.7	0.8	1.72%	9.5	0.9	1.83%	7.2	0.6	1.86%
Health, social security and social welfare	1.4	0.3	1.03%	4.2	0.6	1.68%	7.4	0.7	1.97%	5.2	0.3	1.85%
Culture, sports and entertainment	0.5	0.1	0.84%	0.7	0.1	1.49%	1.8	0.2	1.28%	3.6	0.3	1.91%
Public administration and social organisation	0.0	0.0	0.00%	0.0	0.0	0.00%	26.2	2.4	5.24%	0.1	0.0	1.96%
Total allowance for impairment losses of loans	447.1	100.0	1.91%	686.4	100.0	1.93%	1,084.3	100.0	2.12%	1,297.7	100.0	2.11%

Note:

- (1) Calculated by dividing the amount of the allowance for impairment losses on loans in each category by the total amount of loans in that category.

ASSETS AND LIABILITIES

Changes of Allowance for Impairment Losses of Loans

The following table sets forth, for the years indicated, the changes of our allowance for impairment losses of loans to customers.

	Amount
	(in millions of RMB)
As of 1 January 2010	692.6
Charge-offs for the year ⁽¹⁾	238.7
Recoveries of loans written off in previous years	1.9
Amount written off during the year	(103.8)
Unwinding of discounts ⁽²⁾	(5.2)
Exchange difference	(0.1)
As of 31 December 2010	824.1
Charge-offs for the year ⁽¹⁾	876.0
Recoveries of loans written off in previous years	8.8
Amount written off during the year	(232.7)
Unwinding of discounts ⁽²⁾	(10.4)
Exchange difference	(0.2)
As of 31 December 2011	1,465.6
Charge-offs for the year ⁽¹⁾	837.2
Recoveries of loans written off in previous years	23.3
Amount written off during the year	(342.7)
Unwinding of discounts ⁽²⁾	(17.1)
Exchange difference	(0.0)
As of 31 December 2012	1,966.3
Charge-offs for the year ⁽¹⁾	422.1
Recoveries of loans written off in previous years	12.6
Amount written off during the year	(0.4)
Unwinding of discounts ⁽²⁾	(28.3)
Exchange difference	(0.3)
As of 30 September 2013	2,372.0

Notes:

- (1) Represent the total amount of impairment losses of loans (increase of allowance for impairment losses of loans), after deducting the amount of reversal (releases from allowance for impairment losses of loans).
- (2) Represent the interest income we recognise on impaired loans as a result of subsequent increases in their present values due to the passage of time.

ASSETS AND LIABILITIES

Investment Securities and Other Financial Assets

We classify our investment securities and other financial assets into (i) investments in receivables; (ii) held-to-maturity investments; (iii) available-for-sale financial assets; and (iv) financial assets held for trading, primarily based on our intentions with respect to these assets and pursuant to the requirements of IAS 39. As of 31 December 2010, 2011 and 2012 and 30 September 2013, our investment securities and other financial assets accounted for 14.5%, 17.4%, 18.9% and 19.8%, respectively, of our total assets. The following table sets forth, as of the dates indicated, the components of our investment securities and other financial assets.

	As of 31 December						As of 30 September	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Investments in receivables	4,205.6	23.0	13,635.5	37.8	22,733.3	44.4	18,037.3	34.8
Held-to-maturity investments	5,862.0	32.2	12,286.8	34.1	12,323.5	24.1	14,350.0	27.7
Available-for-sale financial assets	2,863.0	15.7	5,351.2	14.8	8,244.3	16.1	12,257.7	23.6
Financial assets held for trading	5,318.6	29.1	4,780.8	13.3	7,879.0	15.4	7,201.6	13.9
Total investment securities and other financial assets	<u>18,249.2</u>	<u>100.0</u>	<u>36,054.3</u>	<u>100.0</u>	<u>51,180.1</u>	<u>100.0</u>	<u>51,846.6</u>	<u>100.0</u>

Our investment securities and other financial assets increased by 1.3% from RMB51,180.1 million as of 31 December 2012 to RMB51,846.6 million as of 30 September 2013, primarily due to increases in held-to-maturity investments and financial assets held for sale, which were partially offset by a decrease in investments in receivables and financial assets held for trading.

Our investment securities and other financial assets increased by 97.6% from RMB18,249.2 million as of 31 December 2010 to RMB36,054.3 million as of 31 December 2011, and further increased by 42.0% to RMB51,180.1 million as of 31 December 2012. These increases were mainly because of our efforts to increase various types of deposits, continued expansion of our capital operating channels and an increased proportion of credit products, which improved the efficiency of our use of funds.

ASSETS AND LIABILITIES

Distribution of Our Investment Securities and Other Financial Assets by Investment Category

The following table sets forth, as of the dates indicated, the distribution of our investment securities and other financial assets by bond investments and equity investments.

	As of 31 December						As of 30 September	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Debt investments:								
Bond investments	15,513.8	85.0	23,386.8	64.9	29,011.5	56.7	33,985.1	65.6
Debt instruments ⁽¹⁾ issued by financial institutions	<u>2,710.8</u>	<u>14.9</u>	<u>12,642.9</u>	<u>35.0</u>	<u>22,144.0</u>	<u>43.3</u>	<u>17,836.9</u>	<u>34.4</u>
Subtotal	<u>18,224.6</u>	<u>99.9</u>	<u>36,029.7</u>	<u>99.9</u>	<u>51,155.5</u>	<u>100.0</u>	<u>51,822.0</u>	<u>100.0</u>
Equity investment	<u>24.6</u>	<u>0.1</u>	<u>24.6</u>	<u>0.1</u>	<u>24.6</u>	<u>0.0</u>	<u>24.6</u>	<u>0.0</u>
Total investment securities and other financial assets	<u><u>18,249.2</u></u>	<u><u>100.0</u></u>	<u><u>36,054.3</u></u>	<u><u>100.0</u></u>	<u><u>51,180.1</u></u>	<u><u>100.0</u></u>	<u><u>51,846.6</u></u>	<u><u>100.0</u></u>

Note:

(1) Include fund trust plans and structured wealth management products.

Debt Investments

Debt investments account for a majority of our investment securities and other financial assets. Our debt investments comprise bonds investments and debt instruments issued by financial institutions.

Investments in Debt Instruments issued by Financial Institutions

Our total investments in debt instruments issued by financial institutions increased from RMB2,710.8 million as of 31 December 2010 to RMB12,642.9 million as of 31 December 2011 and further increased to RMB22,144.0 million as of 31 December 2012, and the proportion of our total investments in debt instruments issued by financial institutions to our total investment securities and other financial assets increased from 14.9% as of 31 December 2010 to 35.0% as of 31 December 2011, and further increased to 43.3% as of 31 December 2012. We significantly increased our investment in debt instruments issued by financial institutions due to the following reasons. First, we are able to attract more customers who need financing through trust companies and securities companies. Second, we have made more efforts to increase various types of deposits and thus have received more funds for investments. Debt instruments issued by financial institutions generally have higher returns than other investment products in the market. In addition, for the investment in fund trust plans and directional asset management plans where commercial banks in the PRC provide guarantees, the risk-weighted ratio of risk-weighted assets calculated in accordance with applicable our capital requirements is 25%, which improves the efficiency of capital utilisation.

Our total investments in debt instruments issued by financial institutions decreased by 19.5% from RMB22,144.0 million as of 31 December 2012 to RMB17,836.9 million as of 30 September 2013, and the proportion to our total investment securities and other financial assets decreased from 43.3% as of 31 December 2012 to 34.4% as of 30 September 2013. The decreases were primarily due to the expiration

ASSETS AND LIABILITIES

of some of our existing investments in debt instruments issued by financial institutions and a decrease in new investments in these products.

Bond Investments

The following table sets forth, as of the dates indicated, the components of our bond investments.

	As of 31 December						As of 30 September	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Government bonds	4,655.8	30.0	2,752.2	11.8	3,117.3	10.7	3,198.8	9.4
Bonds issued by financial institutions	–	–	–	–	–	–	329.0	1.0
Corporate bonds	1,962.7	12.7	4,951.4	21.2	6,906.3	23.8	8,320.7	24.5
Bonds issued by policy banks	8,895.3	57.3	15,683.2	67.0	18,987.9	65.5	22,136.6	65.1
Total bond investments	15,513.8	100.0	23,386.8	100.0	29,011.5	100.0	33,985.1	100.0

Equity Investments

Our equity investments primarily consist of our investments in China UnionPay Co., Ltd. and Clearing Centre for City Commercial Banks. As of 31 December 2010, 2011 and 2012 and 30 September 2013, our total equity investments amounted to RMB24.6 million.

Maturity Profile of Investment Portfolio

The following table sets forth, as of 30 September 2013, our investment securities and other financial assets (excluding equity investments) by remaining maturity.

	As of 30 September 2013					
	Due within three months	Due between three months and one year	Due between one and five years	Due more than five years	Without a fixed term	Total
	(in millions of RMB)					
Investments in receivables	332.5	6,729.9	10,974.9	–	–	18,037.3
Held-to-maturity investments	823.8	2,951.1	5,947.4	4,627.7	–	14,350.0
Available-for-sale financial assets	1,028.8	1,317.5	6,875.2	2,991.6	20.0	12,233.1
Financial assets held for trading	250.0	307.2	5,042.4	1,602.0	–	7,201.6
Total investment securities and other financial assets	2,435.1	11,305.7	28,839.9	9,221.3	20.0	51,822.0

Carrying amount and fair value

Our assets classified as available-for-sale financial assets (other than equity investments) and financial assets held for trading are stated at fair value. The fair value of our equity investments in available-for-sale financial assets are stated at cost less allowance for impairment losses. Investments in receivables and held-to-maturity investments are stated at historical cost. The following table sets forth

ASSETS AND LIABILITIES

the carrying amount and fair value of our investment securities and other financial assets which were not reflected or disclosed at fair value as of the dates indicated.

	As of 31 December						As of 30 September	
	2010		2011		2012		2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	(in millions of RMB)							
Investments in receivables	4,205.6	4,109.7	13,635.5	13,583.7	22,733.3	22,686.7	18,037.3	18,023.1
Held-to-maturity investments	5,862.0	5,698.9	12,286.8	12,149.5	12,323.5	12,082.1	14,350.0	13,901.4
Equity investments in available-for-sale financial assets	24.6	–	24.6	–	24.6	–	24.6	–

Investment Concentration

The following table sets forth, as of 30 September 2013, our 10 largest positions of debt investments in terms of the carrying amount of the investments.

	As of 30 September 2013			
	Carrying amount	% of total debt investments	% of total shareholders' equity ⁽¹⁾	Market/fair value
	(in millions of RMB, except percentages)			
Investment A	2,003.2	3.9	10.5	1,960.6
Investment B	2,000.4	3.9	10.5	1,996.4
Investment C	1,783.6	3.4	9.4	1,783.6
Investment D	1,290.0	2.5	6.8	1,290.0
Investment E	992.1	1.9	5.2	946.6
Investment F	988.7	1.9	5.2	951.0
Investment G	800.0	1.5	4.2	800.0
Investment H	795.0	1.5	4.2	795.0
Investment I	780.5	1.5	4.1	780.5
Investment J	761.1	1.5	4.0	704.9
Total	<u>12,194.6</u>	<u>23.3</u>	<u>64.1</u>	<u>12,008.6</u>

Note:

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

Other Components of Our Assets

Other components of our assets primarily consist of (i) cash and balances with central bank, (ii) due from banks and other financial institutions, and (iii) financial assets held under reverse repurchase agreements.

Cash and balances with central bank primarily consist of cash, statutory deposit reserves and surplus deposit reserves. Statutory deposit reserves represent the minimum level of cash deposits that we are required to maintain at the PBOC. The minimum level is determined as a percentage of our deposits from customers required by the PBOC. Surplus deposit reserves are our deposits with the PBOC in excess of statutory deposit reserves, which are used primarily for the purpose of clearing. As of 30 September

ASSETS AND LIABILITIES

2013, our cash and balances with central bank amounted to RMB40,729.7 million, a decrease of 21.5% from RMB51,858.5 million as of 31 December 2012, which was attributable to the decrease in surplus deposit reserves deposited with central bank. As of 31 December 2010, 2011 and 2012, our cash and balances with central bank amounted to RMB23,413.2 million, RMB30,935.7 million and RMB51,858.5 million, respectively. The increases were primarily due to increases in our customer deposits, which resulted in corresponding rises in our statutory deposit reserves.

Due from banks and other financial institutions increased by 61.7% from RMB9,837.9 million as of 31 December 2010 to RMB15,907.0 million as of 31 December 2011, and further increased by 25.4% to RMB19,946.8 million as of 31 December 2012. As of 30 September 2013, due from banks and other financial institutions amounted to RMB27,730.0 million, an increase of 39.0% from RMB19,946.8 million as of 31 December 2012. The increase in the our due from banks and other financial institutions during the Track Record Period was primarily because we adjusted the proportion of non-credit assets based on the capital and changes in liquidity in the market, so as to ensure the efficiency of capital utilisation with sufficient liquidity. We were able to adjust the proportion of such assets we held based on our liquidity level in order to meet the liquidity requirement and to realise higher yields. We believe that these assets are able to help us to control mismatch between the maturities of loans and deposits. As the counterparties of such assets are banks, such transactions are generally of lower risks and higher returns compared to our lending to corporate and individual customers. The risk-weighted ratio of such assets is low when measured as risk-weighted assets according to the Measures on Administration on Capital.

Our financial assets held under reverse repurchase agreements include purchases of securities, bills, and trust beneficiary rights. Our financial assets held under reverse repurchase agreements significantly increased by 179.8% from RMB17,863.5 million as of 31 December 2010 to RMB49,973.6 million as of 31 December 2011 and further increased by 3.5% from RMB49,973.6 million as of 31 December 2011 to RMB51,745.6 million as of 31 December 2012. Our financial assets held under reverse repurchase agreements then decreased by 46.3% to RMB27,783.5 million as of 30 September 2013. The increase in these financial assets for the first three years of the Track Record Period was primarily because we adjusted the proportion of non-credit assets based on our capital and in response to changes in market liquidity, so as to ensure the efficiency of capital utilisation with sufficient liquidity. Furthermore, the increase in these financial assets was to ease the difference between the maturities of loans and deposits. The credit risk and risk-weighted ratio of such assets were relatively low. The decrease in these financial assets as of 30 September 2013 compared to 31 December 2012 was because we reduced these assets in light of changes in market liquidity. During the nine months ended 30 September 2013, market liquidity was tightened due to, among other things, the adjustment of regulatory policies.

Among our other assets, investments in associates mainly includes our investment in Guangdong Huaxing Bank Co., Ltd. (廣東華興銀行股份有限公司). Through this investment, we indirectly entered the Pearl River Delta region (which provided us with opportunities for future development and enhancement of our market influence. See “Our History and Operational Reform – Our Shareholding and Corporate Structure”.

LIABILITIES AND SOURCES OF FUNDS

Our total liabilities as of 31 December 2010, 2011 and 2012 and 30 September 2013 amounted to RMB120,695.2 million, RMB195,131.0 million, RMB253,153.2 million and RMB242,651.7 million, respectively. Our liabilities comprise (i) due to customers, (ii) due to banks and other financial institutions, (iii) financial assets sold under repurchase agreements, (iv) debt securities issued and (v) due to central bank.

ASSETS AND LIABILITIES

The following table sets forth, as of the dates indicated, the components of our total liabilities.

	As of 31 December						As of 30 September	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Due to customers	112,891.6	93.6	145,962.4	74.8	186,642.4	73.8	191,130.0	78.8
Due to banks and other financial institutions	2,594.2	2.1	18,051.1	9.3	36,523.5	14.4	37,208.1	15.3
Financial assets sold under repurchase agreements	2,871.7	2.4	27,972.5	14.3	22,832.7	9.0	6,289.8	2.6
Debt securities issued	1,000.0	0.8	1,000.0	0.5	3,500.0	1.4	3,500.0	1.4
Due to central bank	–	–	174.8	0.1	594.9	0.2	756.0	0.3
Other liabilities ⁽¹⁾	1,337.7	1.1	1,970.2	1.0	3,059.7	1.2	3,767.8	1.6
Total liabilities	<u>120,695.2</u>	<u>100.0</u>	<u>195,131.0</u>	<u>100.0</u>	<u>253,153.2</u>	<u>100.0</u>	<u>242,651.7</u>	<u>100.0</u>

Note:

- (1) Other liabilities primarily consist of income tax payable and other taxes payable, interest payable, items in the process of clearance and settlement as well as staff salaries payable.

Our total liabilities increased by 61.7% from RMB120,695.2 million as of 31 December 2010 to RMB195,131.0 million as of 31 December 2011, and increased further by 29.7% to RMB253,153.2 million as of 31 December 2012. The increases in our liabilities were mainly attributable to an increase in due to customers and due to banks and other financial institutions.

Our total liabilities decreased by 4.1% from RMB253,153.2 million as of 31 December 2012 to RMB242,651.7 million as of 30 September 2013. The decrease was primarily due to a significant decrease in our financial assets sold under repurchase agreements, which was partially offset by increases in due to customers and other liabilities.

Due to customers is our primary source of funding and represented 93.6%, 74.8%, 73.8% and 78.8% of our total liabilities as of 31 December 2010, 2011 and 2012 and 30 September 2013, respectively.

ASSETS AND LIABILITIES

Due to Customers

We provide demand and time deposit products to our customers. The following table sets forth, as of the dates indicated, our deposits from customers by product type and maturity term of our deposits.

	As of 31 December						As of 30 September	
	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 deposits . .	58,850.2	52.1	70,284.4	48.2	69,981.5	37.5	62,369.8	32.6
Time deposits	21,741.0	19.3	33,414.8	22.9	61,058.3	32.7	71,766.0	37.5
Subtotal	80,591.2	71.4	103,699.2	71.1	131,039.8	70.2	134,135.8	70.1
Personal deposits								
Demand deposits . .	14,505.0	12.8	19,292.7	13.2	27,107.2	14.5	24,399.3	12.8
Time deposits	17,795.4	15.8	22,970.5	15.7	28,495.4	15.3	32,594.9	17.1
Subtotal	32,300.4	28.6	42,263.2	28.9	55,602.6	29.8	56,994.2	29.9
Total due to customers	112,891.6	100.0	145,962.4	100.0	186,642.4	100.0	191,130.0	100.0

Due to customers increased by 29.3% from RMB112,891.6 million as of 31 December 2010 to RMB145,962.4 million as of 31 December 2011, and increased further by 27.9% to RMB186,642.4 million as of 31 December 2012. As of 30 September 2013, due to customers totalled RMB191,130.0 million, representing an increase of 2.4% compared to 31 December 2012. During the Track Record Period, we expanded our business within and outside the Heilongjiang region by opening additional outlets and Village and Township Banks to penetrate different markets. In addition, we improved the quality and efficiency of our service through business process refinement and IT system upgrading. We engaged in marketing activities such as cross-selling, joint marketing, waiving of charges on remote withdrawals from an ATM and other promotional measures.

As of 30 September 2013, our corporate deposits represented 70.1% of our total due to customers, and our personal deposits represented 29.9% of our total due to customers. The proportion of corporate deposits decreased from 71.4% as of 31 December 2010 to 70.2% as of 31 December 2012, and to 70.1% as of 30 September 2013. The decrease was primarily because we optimised our deposit structure by increasing our efforts to increase personal deposits and increase the proportion of personal deposits, in view of the higher stability of personal deposits.

As of 30 September 2013, our time deposits represented 54.6% of our total due to customers, and our demand deposits represented 45.4% of our total due to customers. The proportion of demand deposits decreased from 64.9% as of 31 December 2010 to 52.0% as of 31 December 2012, and then further decreased to 45.4% as of 30 September 2013. The decrease was primarily attributable to the fact that we moderately increased the proportion of time deposits, as we aimed to optimise the maturity profile of our deposits and improve the stability of our deposits.

ASSETS AND LIABILITIES

Distribution of Deposits by Geographical Region

We classify our deposits based on the geographical location where our outlets take deposits. Our outlets usually originate deposit business in the areas where they operate. The following table sets forth the deposits from customers by geographical region as of the dates indicated. For our definitions of geographical regions, see “– Distribution of Loans by Geographical Region”.

	As of 31 December						As of 30 September	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
Heilongjiang region ⁽¹⁾	89,952.8	79.7	105,473.7	72.3	120,652.0	64.6	118,188.9	61.8
Other northeast region ⁽²⁾	11,598.5	10.3	17,654.4	12.1	25,333.8	13.6	26,893.5	14.1
Southwest region ⁽³⁾	5,111.1	4.5	12,501.7	8.6	24,616.7	13.2	30,378.0	15.9
Northern China ⁽⁴⁾	5,883.7	5.2	9,114.3	6.2	13,449.5	7.2	12,646.1	6.6
Other regions ⁽⁵⁾	345.5	0.3	1,218.3	0.8	2,590.4	1.4	3,023.5	1.6
Total due to customers	<u>112,891.6</u>	<u>100.0</u>	<u>145,962.4</u>	<u>100.0</u>	<u>186,642.4</u>	<u>100.0</u>	<u>191,130.0</u>	<u>100.0</u>

Distribution of Deposits by Remaining Maturity

The following table sets forth, as of 30 September 2013, the maturity profile of our deposits from customers in terms of remaining tenor.

	As of 30 September 2013					
	Repayable on demand	Due within three months	Due over three months up to one year	Due over one year up to five years	Due over five years	Total
(in millions of RMB)						
Corporate deposits	64,567.8	24,494.2	31,005.9	14,067.9	–	134,135.8
Personal deposits	26,967.9	10,616.2	14,844.3	4,565.8	–	56,994.2
Total due to customers	<u>91,535.7</u>	<u>35,110.4</u>	<u>45,850.2</u>	<u>18,633.7</u>	<u>–</u>	<u>191,130.0</u>

ASSETS AND LIABILITIES

Distribution of Deposits by Currency

Substantially all of our deposits are RMB-denominated deposits. The following table sets forth, as of 30 September 2013, the distribution of our deposits from customers by currency.

	As of 31 December						As of 30 September	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)								
RMB-denominated deposits	112,752.2	99.88	145,778.4	99.88	186,103.9	99.71	190,565.9	99.71
USD-denominated deposits	124.1	0.11	165.4	0.11	514.2	0.28	501.8	0.26
Other foreign currency-denominated deposits	15.3	0.01	18.6	0.01	24.3	0.01	62.3	0.03
Total due to customers	<u>112,891.6</u>	<u>100.00</u>	<u>145,962.4</u>	<u>100.00</u>	<u>186,642.4</u>	<u>100.00</u>	<u>191,130.0</u>	<u>100.00</u>

Other Components of Our Liabilities

Other components of our liabilities primarily consist of (i) due to banks and other financial institutions, and (ii) financial assets sold under repurchase agreements.

Due to banks and other financial institutions significantly increased by 595.8% from RMB2,594.2 million as of 31 December 2010 to RMB18,051.1 million as of 31 December 2011, and increased further by 102.3% to RMB36,523.5 million as of 31 December 2012. Due to banks and other financial institutions further increased by 1.9% to RMB37,208.1 million as of 30 September 2013. During the Track Record Period, the increases in these liabilities mainly reflected that we proactively took deposits from other banks and broadened our sources of liabilities in order to increase return in response to the changes in market liquidity and the need to match assets and liabilities. Further, we believe that these liabilities are able to help us to control mismatch of the difference between the maturity of loans and deposits. In addition, with the expansion of our operations and our growing recognition, our relationships with other banks were enhanced and in many cases they increased the credit granted to us.

Our financial assets sold under repurchase agreements significantly increased by 874.1% from RMB2,871.7 million as of 31 December 2010 to RMB27,972.5 million as of 31 December 2011. Our financial assets sold under repurchase agreements decreased by 18.4% to RMB22,832.7 million as of 31 December 2012 and further decreased by 72.5% to RMB6,289.8 million as of 30 September 2013. The changes in our financial assets sold under repurchase agreements reflected adjustments to the proportion of financial assets sold under repurchase agreements to our liabilities based on market liquidity and our capital needs in view of the need to match assets and liabilities. The changes also reflected such liabilities' function in easing the difference between the maturity of loans and deposits, as well as our increased interaction with other banks.