

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 prepared in accordance with IFRS.

ASSETS

At December 31, 2009, our total assets amounted to RMB8,882.6 billion, a 26.6% increase from RMB7,014.4 billion at December 31, 2008, which in turn increased by 32.2% from RMB5,305.5 billion at December 31, 2007. The principal components of our assets consist of (i) loans to customers (net) and (ii) investment securities and other financial assets (net), representing 45.2% and 29.5%, respectively, of our total assets at December 31, 2009. The following table sets forth, at the dates indicated, the components of our total assets.

	At December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)						
Gross loans to customers	3,474,174		3,100,159 ⁽⁵⁾		4,138,187	
Allowance for impairment losses	(764,982)		(85,175) ⁽⁶⁾		(126,692)	
Loans to customers, net	2,709,192	51.1%	3,014,984 ⁽⁶⁾	43.0%	4,011,495	45.2%
Investment securities and other financial assets, net ⁽¹⁾	1,309,107	24.7	2,309,077	32.9	2,616,672	29.5
Cash and balances with central banks	937,014	17.7	1,145,884	16.3	1,517,806	17.1
Deposits with banks and other financial institutions ⁽²⁾	16,432	0.3	62,668	0.9	61,693	0.7
Placements with banks and other financial institutions ⁽³⁾	52,498	1.0	44,479	0.6	49,435	0.6
Financial assets held under resale agreements	144,848	2.7	246,370	3.5	421,093	4.7
Other assets ⁽⁴⁾	136,415	2.5	190,889	2.8	204,394	2.2
Total assets	<u>5,305,506</u>	<u>100.0%</u>	<u>7,014,351</u>	<u>100.0%</u>	<u>8,882,588</u>	<u>100.0%</u>

- (1) Investment securities and other financial assets consist of financial assets at fair value through profit or loss (including financial assets held for trading and financial assets designated as at fair value through profit or loss), available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables. Investment securities and other financial assets are net of the related allowance for impairment losses of RMB210 million, RMB274 million and RMB513 million at December 31, 2009, 2008 and 2007, respectively.
- (2) Deposits with banks and other financial institutions are net of the related allowance for impairment losses of nil, RMB3 million and nil at December 31, 2009, 2008 and 2007, respectively.
- (3) Placements with banks and other financial institutions are net of the related allowance for impairment losses of RMB16 million, RMB12 million and RMB8 million at December 31, 2009, 2008 and 2007, respectively.
- (4) Consists primarily of property and equipment, deferred tax assets, derivative financial assets, interest in an associate, intangible assets and other assets.
- (5) The amount of gross loans to customers at December 31, 2008 reflects the disposal of RMB766.8 billion in non-performing loans in connection with our financial restructuring.
- (6) The amount of the allowance for impairment losses and the amount of net loans to customers at December 31, 2008 reflect the release in the amount of RMB717.5 billion from the loan loss allowance resulting from the disposal of RMB766.8 billion in non-performing loans in connection with our financial restructuring.

Impact of Financial Restructuring on Our Assets

As part of our financial restructuring, the MOF retained RMB130.0 billion in our then existing capital and Huijin made a capital contribution of US\$19.0 billion (equivalent to RMB130.0 billion).

ASSETS AND LIABILITIES

On November 21, 2008, we disposed of (i) non-performing loans in an aggregate amount of RMB766.8 billion, consisting of RMB217.3 billion in loans classified as doubtful and RMB549.5 billion in loans classified as loss, and (ii) other impaired assets in an aggregate amount of RMB48.9 billion, at their book value (before the related allowance for impairment losses) at December 31, 2007, to the MOF on a non-recourse basis. A portion of these non-performing loans and other impaired assets were used to offset a loan of RMB150.6 billion from the PBOC. The remainder of these non-performing loans and other impaired assets were exchanged for a receivable from the MOF in an aggregate principal amount of RMB665.1 billion, which started to accrue interest on January 1, 2008 at an annual rate of 3.3%. As a result of the disposal, the related allowance for impairment losses in an aggregate amount of RMB760.7 billion was released and credited to our capital reserve. For discussion purposes in this section, the “Financial Information” and “County Area Banking Business” sections, we generally refer to the non-performing loans of RMB766.8 billion and other impaired assets of RMB48.9 billion disposed of in connection with our financial restructuring as the “restructuring-related disposal.”

See “Our History, Restructuring and Operational Reform—Financial Restructuring.”

Loans to Customers

Loans to customers are the largest component of our assets. We provide a broad range of loan products to our customers through our branch network, substantially all of which are denominated in the Renminbi. Our loans to customers, net of the allowance for impairment losses, represented 45.2%, 43.0% and 51.1% of our total assets at December 31, 2009, 2008 and 2007, respectively. The following discussion is based on our gross loans and advances to customers, before taking into account the related allowance for impairment losses, rather than our net loans to customers. Our loans are reported net of the allowance for impairment losses on our consolidated balance sheet.

At December 31, 2009, our gross loans to customers amounted to RMB4,138.2 billion, an increase of 33.5% from RMB3,100.2 billion at December 31, 2008. The increase was primarily due to an overall growth in our loan portfolio, reflecting (i) the effect of the PRC government’s expansionary macroeconomic measures and moderately loose monetary policy, and (ii) our increased lending to finance the key national infrastructure projects and to meet the financing needs of our valued corporate customers and agriculture-related businesses, as well as our increased marketing efforts targeted at our valued retail customers.

Our gross loans to customers decreased by 10.8% to RMB3,100.2 billion at December 31, 2008 from RMB3,474.2 billion at December 31, 2007, primarily as a result of the restructuring-related disposal. Assuming that the restructuring-related disposal had not occurred, and that the loans disposed of were added back to the balance at December 31, 2008, our total loans to customers at that date would have been RMB3,866.9 billion, or an increase of 11.3% from December 31, 2007.

The balances of our loans to customers, non-performing loans and allowance for impairment losses at December 31, 2008 reflect the effect of the restructuring-related disposal. In this section and the “Financial Information,” “Recent Developments” and “County Area Banking Business” sections of this prospectus, references to “corporate loans,” “discounted bills” and “retail loans” represent loans extended by our domestic branches and our head office, and references to “credit card balances” refer to the balances on our credit cards and the overdraft balances on our quasi-credit cards.

ASSETS AND LIABILITIES

Distribution of Loans by Business Line

The following table sets forth, at the dates indicated, our loans to customers by business line. For a description of the loan products we offer, see “Business—Our Principal Businesses.”

	At December 31,					
	2007		2008 ⁽¹⁾		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Domestic						
Corporate loans	2,761,157	79.5%	2,359,297	76.1%	2,968,691	71.7%
Discounted bills	204,127	5.9	257,163	8.3	352,230	8.5
Retail loans	491,185	14.1	464,465	15.0	789,342	19.1
Overseas and other operations⁽²⁾	<u>17,705</u>	<u>0.5</u>	<u>19,234</u>	<u>0.6</u>	<u>27,924</u>	<u>0.7</u>
Total loans to customers	<u>3,474,174</u>	<u>100.0%</u>	<u>3,100,159</u>	<u>100.0%</u>	<u>4,138,187</u>	<u>100.0%</u>

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

(2) Consists of loans to customers at our overseas branches and our subsidiaries in and outside of China.

Corporate Loans

Corporate loans represented 71.7%, 76.1% and 79.5% of our total loans to customers at December 31, 2009, 2008 and 2007, respectively. At December 31, 2009, our corporate loans amounted to RMB2,968.7 billion, an increase of 25.8% from RMB2,359.3 billion at December 31, 2008. The increase was primarily due to an increase in medium- and long-term loans as a result of our efforts to increase loans to finance key national infrastructure projects, borrowers in key industries identified in the PRC government’s industry guidance and agriculture-related businesses.

Our corporate loans decreased by 14.6% to RMB2,359.3 billion at December 31, 2008 from RMB2,761.2 billion at December 31, 2007, primarily due to our restructuring-related disposal in 2008.

The following table sets forth, at the dates indicated, our corporate loans by contract maturity.

	At December 31,					
	2007		2008 ⁽¹⁾		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Short-term loans ⁽²⁾	1,439,103	52.1%	1,112,197	47.1%	1,239,973	41.8%
Medium- and long-term loans ⁽³⁾	<u>1,322,054</u>	<u>47.9</u>	<u>1,247,100</u>	<u>52.9</u>	<u>1,728,718</u>	<u>58.2</u>
Total corporate loans	<u>2,761,157</u>	<u>100.0%</u>	<u>2,359,297</u>	<u>100.0%</u>	<u>2,968,691</u>	<u>100.0%</u>

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

(2) Consists primarily of loans with contract maturities of one year or less.

(3) Consists primarily of loans with contract maturities above one year.

As a percentage of our corporate loans, medium- and long-term loans increased from December 31, 2007 to December 31, 2009, primarily due to (i) our continued efforts to refine the composition of our corporate loan portfolio to increase medium- and long-term loans, which are relatively higher yielding, (ii) a decrease in customer demand for short-term loans, reflecting the

ASSETS AND LIABILITIES

improved cash management ability of some large corporate customers, (iii) an increase in customer demand for medium- and long-term loans as a result of the implementation of the PRC government's economic stimulus package, and (iv) our restructuring-related disposal in which short-term loans represented a majority of the corporate loans disposed of.

Distribution of Corporate Loans by Industry

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

	At December 31,					
	2007		2008 ⁽¹⁾		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)						
Manufacturing						
Smelting and pressing of ferrous metals	89,536	3.2%	107,087	4.5%	123,389	4.3%
Chemical materials and products	83,746	3.0	75,603	3.2	89,474	3.0
Textile	77,180	2.8	52,680	2.2	57,360	1.9
Metal products	58,857	2.1	51,551	2.2	60,097	2.0
Smelting and pressing of non-ferrous metals	43,882	1.6	39,127	1.7	52,145	1.8
Non-metallic mineral products	50,999	1.9	36,781	1.6	46,897	1.6
Communications equipment, computers and other electronic equipment	40,157	1.5	34,171	1.5	34,703	1.2
Food processing	64,945	2.4	31,754	1.4	46,051	1.6
General purpose machinery	33,862	1.2	31,748	1.4	37,172	1.3
Electrical machinery and equipment	27,793	1.0	31,151	1.3	45,840	1.5
Paper and paper products	33,042	1.2	29,261	1.2	30,081	1.0
Others ⁽²⁾	341,754	12.4	242,343	10.2	263,520	8.7
Subtotal	945,753	34.3	763,257	32.4	886,729	29.9
Production and supply of power, gas and water	341,501	12.4	382,845	16.2	411,410	13.9
Real estate	347,185	12.6	336,037	14.2	427,253	14.4
Transportation, logistics and postal services	159,151	5.8	200,129	8.5	303,520	10.2
Retail and wholesale	306,353	11.1	165,247	7.0	227,546	7.7
Water, environment and public utilities management	77,230	2.8	90,973	3.9	155,365	5.2
Construction	81,433	2.9	82,453	3.5	99,700	3.4
Mining	67,119	2.4	66,173	2.8	93,340	3.1
Leasing and commercial services	111,004	4.0	64,288	2.7	144,755	4.9
Information transmission, computer services and software	30,751	1.1	37,998	1.6	28,199	0.9
Others ⁽³⁾	293,677	10.6	169,897	7.2	190,874	6.4
Total corporate loans	2,761,157	100.0%	2,359,297	100.0%	2,968,691	100.0%

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

(2) Consists primarily of transport equipment, processing of petroleum, coking and processing of nuclear fuel, textile, apparel, footwear and headwear.

(3) Consists primarily of education, agriculture, forestry, animal husbandry and fishery, hotels and catering.

The aggregate amount of loans to our borrowers in (i) manufacturing, (ii) production and supply of power, gas and water, (iii) real estate, (iv) transportation, logistics and postal services and (v) retail and wholesale, which are the top five industries in terms of our aggregate loan exposure, together represented 76.1%, 78.3% and 76.2% of our total corporate loans at December 31, 2009, 2008

ASSETS AND LIABILITIES

and 2007, respectively. We continued our efforts to refine the composition of our loan portfolio by reducing exposure to certain industries which are energy-consuming or pollutive, or have experienced overcapacity, and monitoring the exposure to customers in these industries. As a result, our loans to borrowers in (i) leasing and commercial services, (ii) transportation, logistics and postal services, and (iii) water, environment and public utilities management industries experienced the highest increases, as a percentage of our total loan portfolio, while loans to manufacturing industries experienced the largest decrease, as a percentage of our total loan portfolio.

The changes in the distribution of corporate loans by industry in our corporate loan portfolio from December 31, 2007 to December 31, 2008 were primarily due to our restructuring-related disposal.

Distribution of Corporate Loans by Exposure Size

The following table sets forth, at the dates indicated, the distribution of our corporate loan exposure to borrowers by size.

	At December 31,					
	2007		2008 ⁽¹⁾		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Up to RMB10 million	449,318	16.3%	127,225	5.4%	135,160	4.6%
Over RMB10 million to RMB50 million	575,187	20.8	346,414	14.7	393,542	13.3
Over RMB50 million to RMB100 million	327,645	11.9	267,292	11.3	319,023	10.7
Over RMB100 million to RMB500 million	743,486	26.9	754,040	32.0	953,797	32.1
Over RMB500 million	665,521	24.1	864,326	36.6	1,167,169	39.3
Total corporate loans	<u>2,761,157</u>	<u>100.0%</u>	<u>2,359,297</u>	<u>100.0%</u>	<u>2,968,691</u>	<u>100.0%</u>

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

Our loan exposure to corporate borrowers larger than RMB100 million increased, as a percentage of our corporate loan portfolio, to 71.4% at December 31, 2009 from 68.6% at December 31, 2008 and 51.0% at December 31, 2007, primarily due to (i) our efforts to refine loan portfolio compositions by expanding loans to large borrowers which we believe present low credit risk, and (ii) a majority of loans we disposed of in connection with our restructuring-related disposal being under RMB100 million, as loans to large corporate borrowers have been historically of better asset quality.

ASSETS AND LIABILITIES

Retail Loans

In recent years, we have implemented initiatives to expand our retail banking business, including by streamlining management structure, increasing marketing efforts, rationalizing distribution channels, refining product offerings, and improving the overall capabilities of our retail banking staff. As a percentage of our total loans to customers, retail loans increased to 19.1% at December 31, 2009 from 15.0% at December 31, 2008, which in turn increased from 14.1% at December 31, 2007. The following table sets forth, at the dates indicated, our retail loans by product type.

	At December 31,					
	2007		2008 ⁽¹⁾		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)						
Residential mortgage loans	298,846	60.8%	319,498	68.8%	497,946	63.1%
Loans to private businesses	92,758	18.9	78,428	16.9	105,953	13.4
Personal consumption loans	40,090	8.2	42,299	9.1	85,600	10.8
Credit card balances	4,417	0.9	7,901	1.7	14,118	1.8
Others ⁽²⁾	55,074	11.2	16,339	3.5	85,725	10.9
Total retail loans	491,185	100.0%	464,465	100.0%	789,342	100.0%

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

(2) Consists primarily of loans to rural households.

Our retail loans increased by 69.9% to RMB789.3 billion at December 31, 2009 from RMB464.5 billion at December 31, 2008, primarily due to increases in our residential mortgage loans, loans to private businesses, personal consumption loans, credit card balances and loans to rural households, reflecting (i) our continued marketing efforts and product innovation, and (ii) the PRC government's macroeconomic policy to stimulate consumption. Our retail loans decreased by 5.4% to RMB464.5 billion at December 31, 2008 from RMB491.2 billion at December 31, 2007, primarily due to our restructuring-related disposal.

Residential mortgage loans are historically the largest component of our retail loans. Residential mortgage loans increased by 55.9% to RMB497.9 billion at December 31, 2009 from RMB319.5 billion at December 31, 2008, which in turn increased by 6.9% from RMB298.8 billion at December 31, 2007. The continued increase in our residential mortgage loans from December 31, 2007 to December 31, 2009 was primarily due to a combination of (i) our strategy to grow our retail loan portfolio, including initiatives to increase residential mortgage loans, (ii) our efforts to tap the increasing demand from customers to finance their first home purchases and improved housing and expand into the pre-owned property market, reflecting the growth in China's residential property market, and (iii) our increased monitoring of the properties financed by our corporate loans made to residential property developers which acted as a main channel to develop our residential mortgage customers.

Loans to private businesses consist primarily of loans to finance the operations of private businesses, mortgage loans to private businesses to finance their purchases of commercial properties and loans to finance their purchases of automobiles for commercial use. Loans to private businesses increased by 35.1% to RMB106.0 billion at December 31, 2009 from RMB78.4 billion at December 31, 2008, primarily due to our increased marketing efforts targeted at large wholesale markets of household products to meet the financing needs of private business owners. Loans to

ASSETS AND LIABILITIES

private businesses decreased by 15.4% to RMB78.4 billion at December 31, 2008 from RMB92.8 billion at December 31, 2007, primarily due to our restructuring-related disposal.

Personal consumption loans consist primarily of consumer auto loans, personal credit line, comprehensive consumer loans and retail loans secured by pledges. Personal consumption loans more than doubled to RMB85.6 billion at December 31, 2009 from RMB42.3 billion at December 31, 2008, which in turn increased by 5.5% from RMB40.1 billion at December 31, 2007. The increase in our personal consumption loans from December 31, 2007 to December 31, 2009 was primarily due to (i) our increased marketing efforts with respect to this product, reflecting the government's policy to stimulate consumption, (ii) our cross-selling efforts and differentiated services targeted at our valued retail customers, and (iii) our increased efforts to offer personal credit lines to meet the financing needs of our high end retail customers.

Credit card balances consist primarily of the balances on our credit cards and the overdraft balances on our quasi-credit cards. Credit card balances increased by 78.7% to RMB14.1 billion at December 31, 2009 from RMB7.9 billion at December 31, 2008, which in turn increased by 78.9% from RMB4.4 billion at December 31, 2007. The increase in our credit card balances from December 31, 2007 to December 31, 2009 was primarily due to (i) increases in the number of credit cards issued and the transaction volumes on our bank cards as a result of our continuous marketing efforts, and (ii) the increased customer demand, reflecting the increased acceptance of credit cards as a form of payment in China.

Other retail loans significantly increased to RMB85.7 billion at December 31, 2009 from RMB16.3 billion at December 31, 2008, primarily due to an increase in our loans to rural households as a result of our increased marketing efforts with respect to this product targeted at customers in the County Areas. For details of our loans to rural households, see "County Area Banking Business—Assets and Liabilities—Loans to Customers." Other retail loans decreased by 70.3% to RMB16.3 billion at December 31, 2008 from RMB55.1 billion at December 31, 2007, primarily due to our restructuring-related disposal.

Distribution of Retail Loans by Exposure Size

The following table sets forth, at the dates indicated, the distribution of our retail loans by exposure size.

	At December 31,					
	2007		2008 ⁽¹⁾		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Up to RMB50,000	58,016	11.8%	36,795	7.9%	102,503	13.0%
Over RMB50,000 to RMB300,000	205,725	41.9	199,238	42.9	273,372	34.6
Over RMB300,000 to RMB1,000,000	146,415	29.8	144,642	31.2	241,043	30.6
Over RMB1,000,000 to RMB5,000,000	71,574	14.6	75,203	16.2	148,757	18.8
Over RMB5,000,000	9,455	1.9	8,587	1.8	23,667	3.0
Total retail loans	491,185	100.0%	464,465	100.0%	789,342	100.0%

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

As a percentage of our total retail loan portfolio, loans over RMB300,000 increased to 52.4% at December 31, 2009 from 49.2% at December 31, 2008 and 46.3% at December 31, 2007, primarily

ASSETS AND LIABILITIES

attributable to increases in our loans to private businesses, residential mortgage loans and personal credit lines. As a percentage of our total retail loan portfolio, loans up to RMB50,000 increased to 13.0% at December 31, 2009 from 7.9% at December 31, 2008, primarily attributable to an increase in our loans to rural households as a result of our efforts to grow this product since the second half of 2008.

Discounted Bills

Discounted bills represented 8.5%, 8.3% and 5.9% of our total loans to customers at December 31, 2009, 2008 and 2007, respectively.

The following table sets forth, at the dates indicated, our discounted bills by type of obligor.

	At December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Bank acceptance bills	202,457	99.2%	254,598	99.0%	317,452	90.1%
Commercial acceptance bills	1,670	0.8	2,565	1.0	34,778	9.9
Total discounted bills	<u>204,127</u>	<u>100.0%</u>	<u>257,163</u>	<u>100.0%</u>	<u>352,230</u>	<u>100.0%</u>

Discounted bills increased by 37.0% to RMB352.2 billion at December 31, 2009 from RMB257.2 billion at December 31, 2008, which in turn increased by 26.0% from RMB204.1 billion at December 31, 2007. The overall increase in our discounted bills, in both absolute terms and as a percentage of our loan portfolio, from December 31, 2007 to December 31, 2009 primarily reflected the increased customer demand for this product and our efforts to refine our loan portfolio compositions and, in 2009, reflected the effect of the moderately loose monetary policy.

Bank acceptance bills represented 90.1%, 99.0% and 99.2% of our total discounted bills at December 31, 2009, 2008 and 2007, respectively. As a percentage of our total discounted bills, commercial acceptance bills significantly increased to 9.9% at December 31, 2009 from 1.0% at December 31, 2008, primarily due to an increase in commercial acceptance bills to the corporate customers to which we have assigned with high credit ratings.

ASSETS AND LIABILITIES

Distribution of Loans by Geographical Region

We classify loans geographically based on the location of the branch and subsidiary that originated the loan. Our branches generally originate loans to borrowers located in the same geographical areas. The following table sets forth, at the dates indicated, the distribution of our loan portfolio by geographical region. For definitions of our geographical regions, see “Definitions and Conventions.”

	At December 31,					
	2007		2008 ⁽¹⁾		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Head Office ⁽²⁾	107,636	3.1%	140,987	4.6%	121,899	2.9%
Yangtze River Delta	838,870	24.2	896,746	28.9	1,147,735	27.8
Pearl River Delta	463,114	13.3	448,109	14.5	613,918	14.8
Bohai Rim	577,176	16.6	504,630	16.3	705,560	17.0
Central China	515,191	14.8	341,843	11.0	488,156	11.8
Northeastern China	205,351	5.9	90,408	2.9	131,358	3.2
Western China	749,131	21.6	658,202	21.2	901,637	21.8
Overseas and other operations ⁽³⁾	17,705	0.5	19,234	0.6	27,924	0.7
Total loans to customers	<u>3,474,174</u>	<u>100.0%</u>	<u>3,100,159</u>	<u>100.0%</u>	<u>4,138,187</u>	<u>100.0%</u>

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

(2) Consists primarily of loans originated by our head office to some of our large corporate borrowers in all geographical regions of China, discounted bills at our discounted bills department at our head office and credit card balances booked at our credit card center.

(3) Consists of loans to customers at our overseas branches and our subsidiaries in and outside of China.

We have sought to refine the geographical distribution of our loans. We have been focused on growing our lending business in the Yangtze River Delta, Pearl River Delta and Bohai Rim regions where the local economy is more developed than that of other regions. Loans to customers originated in these regions increased by 33.4% to RMB2,467.2 billion at December 31, 2009 from RMB1,849.5 billion at December 31, 2008. Our loans to Central China, Northeastern China and Western China increased by 42.8%, 45.3% and 37.0%, respectively, from December 31, 2008 to December 31, 2009. Loans to these areas in aggregate represented 36.8% of our total loans to customers at December 31, 2009, an increase from 35.1% at December 31, 2008. The increases in loans to these regions, both in absolute terms and as a percentage of our loan portfolio, were primarily due to (i) our initiatives to expand lending to these areas to meet increasing customer demand stimulated by the PRC government’s continued policies to promote economic development in these regions, and (ii) low balances of loans to these regions after our restructuring-related disposal.

At December 31, 2008, loans to Central China, Northeastern China and Western China represented, in the aggregate, 35.1% of our total loans to customers, a decrease from 42.3% at December 31, 2007, primarily due to our restructuring-related disposal in 2008.

ASSETS AND LIABILITIES

Distribution of Loans by Collateral

Loans secured by mortgages, pledges or guarantees represented, in the aggregate, 80.7%, 75.8% and 80.0% of our total loan portfolio at December 31, 2009, 2008 and 2007, respectively. If a loan is secured by more than one form of security interest, the allocation is based on the primary form of security interest. The following table sets forth, at the dates indicated, the distribution of our loan portfolio by the type of collateral.

	At December 31,					
	2007		2008 ⁽¹⁾		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Loans secured by mortgages ⁽²⁾⁽³⁾	1,353,587	39.0%	1,187,838	38.3%	1,562,141	37.7%
Loans secured by pledges ⁽²⁾⁽⁴⁾	442,538	12.7	506,899	16.4	677,776	16.4
Guaranteed loans ⁽²⁾	982,602	28.3	655,051	21.1	1,101,661	26.6
Unsecured loans	695,447	20.0	750,371	24.2	796,609	19.3
Total loans to customers	<u>3,474,174</u>	<u>100.0%</u>	<u>3,100,159</u>	<u>100.0%</u>	<u>4,138,187</u>	<u>100.0%</u>

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

(2) Represents the total amount of loans wholly or partly secured by collateral in each category.

(3) Represents security interests in certain assets, such as buildings and fixtures, land use rights, machines, equipment and vehicles, without taking possession.

(4) Represents security interests in certain assets, such as movable assets, certificates of deposit, financial instruments (including discounted bills), intellectual property rights and rights to future cash flows, by taking possession of or registering against such assets.

Unsecured loans are made to customers with relatively high credit ratings based on our internal credit risk rating system. See “Risk Management—Credit Risk Management—Credit Risk Management for Corporate Loans—Customer Applications and Pre-loan Review—Customer Credit Rating.”

ASSETS AND LIABILITIES

Borrower Concentration

In accordance with applicable PRC banking laws and regulations, we are subject to a lending limit of 10% of our regulatory capital to any single borrower. The following table sets forth, at the date indicated, our loan exposure to our ten largest single borrowers, all of which were classified as performing at that date.

At December 31, 2009				
	Industry	Amount	% of total loans	% of regulatory capital ⁽¹⁾
	(in millions of RMB, except percentages)			
Borrower A	Production and supply of power, gas and water	19,441	0.47%	4.41%
Borrower B	Real estate	9,831	0.24	2.24
Borrower C	Construction	9,375	0.23	2.13
Borrower D	Production and supply of power, gas and water	9,311	0.23	2.11
Borrower E	Production and supply of power, gas and water	8,980	0.22	2.04
Borrower F	Production and supply of power, gas and water	8,686	0.21	1.97
Borrower G	Manufacturing	8,439	0.20	1.92
Borrower H	Water, environment and public utilities management	8,405	0.20	1.91
Borrower I	Production and supply of power, gas and water	8,379	0.20	1.90
Borrower J	Transportation, logistics and postal services	8,083	0.19	1.84
Total		98,930	2.39%	22.47%

(1) Represents loan amounts as a percentage of our regulatory capital, calculated in accordance with the requirements of the New Capital Adequacy Regulations and based on our financial statements prepared in accordance with PRC GAAP. For a calculation of our regulatory capital at December 31, 2009, see “Financial Information—Capital Resources—Capital Adequacy.”

ASSETS AND LIABILITIES

In accordance with applicable PRC banking guidelines, we are subject to a credit limit of 15% of our regulatory capital to any single group borrower. The following table sets forth, at the date indicated, our loan exposure to our ten largest group borrowers, 0.37% of which, or RMB1,221 million, were classified as non-performing.

At December 31, 2009				
Industry	Amount	% of total loans	% of regulatory capital ⁽¹⁾	
(in millions of RMB, except percentages)				
Group A	Production and supply of power, gas and water	103,074	2.50%	23.41% ⁽²⁾
Group B	Production and supply of power, gas and water	45,672	1.10	10.37
Group C	Production and supply of power, gas and water	31,453	0.76	7.14
Group D	Production and supply of power, gas and water	26,062	0.63	5.92
Group E	Transportation, logistics and postal services	24,324	0.59	5.52
Group F	Manufacturing	22,544	0.54	5.12
Group G	Production and supply of power, gas and water	21,311	0.51	4.84
Group H	Production and supply of power, gas and water	21,145	0.51	4.80
Group I	Information transmission, computer services and software	19,284	0.47	4.38
Group J	Manufacturing	12,354	0.30	2.81
Total		<u>327,223</u>	<u>7.91%</u>	<u>74.31%</u>

(1) Represents loan amounts as a percentage of our regulatory capital, calculated in accordance with the requirements of the New Capital Adequacy Regulations and based on our financial statements prepared in accordance with PRC GAAP. For a calculation of our regulatory capital at December 31, 2009, see “Financial Information—Capital Resources—Capital Adequacy.”

(2) Our total on- and off-balance sheet credit exposure to Group A was 25.80% of our regulatory capital at December 31, 2009, exceeding the regulatory limit (15%) imposed by the CBRC.

Group A was historically one of our largest group borrowers and we had extended a significant amount of credit to Group A prior to the release by the CBRC of the regulatory guidelines, effective January 1, 2006, which impose a credit exposure limit on a commercial bank to any group borrower to 15% of the bank’s regulatory capital. No sanctions were imposed on us by the CBRC for our failure to meet such regulatory requirement. We made efforts to reduce our credit exposure to Group A. At April 30, 2010, our credit exposure to Group A, which decreased to RMB60.0 billion, met the above regulatory requirement.

ASSETS AND LIABILITIES

Maturity Profile of Loan Portfolio

The following table sets forth, at the date indicated, our loan products by remaining maturity.

At December 31, 2009						
	Due 3 months or less	Due over 3 months up to 12 months	Due between 1 to 5 years	Due more than 5 years	Overdue ⁽¹⁾	Total
(in millions of RMB)						
Domestic						
Corporate loans						
Short-term loans	328,269	879,733	—	—	31,971	1,239,973
Medium- and long-term loans	28,718	130,224	840,036	716,838	12,902	1,728,718
Subtotal	356,987	1,009,957	840,036	716,838	44,873	2,968,691
Discounted bill						
Bank acceptance bills	216,973	100,386	—	—	93	317,452
Commercial acceptance bills	14,621	20,157	—	—	—	34,778
Subtotal	231,594	120,543	—	—	93	352,230
Retail loans						
Residential mortgage loans	8,395	25,613	127,504	336,087	347	497,946
Loans to private businesses	16,000	51,312	26,953	10,277	1,411	105,953
Personal consumption loans	18,906	57,013	8,987	319	375	85,600
Credit card balances	12,547	—	—	—	1,571	14,118
Others ⁽²⁾	13,310	63,153	6,478	1,955	829	85,725
Subtotal	69,158	197,091	169,922	348,638	4,533	789,342
Overseas and other operations⁽³⁾	10,395	2,419	13,995	793	322	27,924
Total	668,134	1,330,010	1,023,953	1,066,269	49,821	4,138,187

(1) Includes loans on which principal is overdue. Loans on which interest but not principal is overdue are not included. For loans that are repayable in installments, only the portion of the loan that is overdue is shown as overdue, and the installments that are not yet due are included under the corresponding remaining maturities.

(2) Consists primarily of loans to rural households.

(3) Consists of loans to customers at our overseas branches and our subsidiaries in and outside of China.

Our short-term corporate loans and discounted bills have maturities of less than one year, and a majority of our medium- and long-term corporate loans are due more than one year. As indicated in the above table, a significant portion of our retail loans had remaining maturities of more than five years, primarily because the largest component of our retail loans consisted of residential mortgage loans, which are generally long-term.

Loan Interest Rate Profile

Interest rates have historically been highly regulated in China and are gradually being liberalized. Interest rates on RMB-denominated loans are subject to resetting after a change in the applicable PBOC benchmark rates. Under applicable PRC government regulations, banks are allowed to negotiate the terms of interest rates on RMB-denominated loans with a maturity of longer than one year. We generally set floating interest rates on such loans. Only a small portion of loans with a maturity of longer than one year have fixed interest rates. We generally set fixed interest rates on loans with a maturity of one year or less. The interest rates on a small portion of such loans are reset on the next day or the first day of the month or quarter following the date of the change in the applicable

ASSETS AND LIABILITIES

benchmark interest rates. Under applicable PBOC regulations, banks are allowed to negotiate interest rates on loans within the permitted range.

Asset Quality of Our Loan Portfolio

We measure and monitor the asset quality of our loan portfolio through our loan classification system. We classify our loans using a five-category loan classification system, which complies with the CBRC's guidelines. See "Supervision and Regulation—PRC Banking Supervision and Regulation—Loan Classification, Allowance and Write-offs—Loan Classification."

Loan Classification Criteria

In determining the classification of our loan portfolio, we apply 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 the loan.

Corporate Loans and Discounted Bills

Our corporate loan and discounted bill classification criteria focus on a number of factors, to the extent applicable, including (i) the borrower's ability to repay the loan, based on such factors as the borrower's cash flows, financial condition, profitability and other, non-financial factors affecting the borrower's repayment ability; (ii) the borrower's repayment history; (iii) the borrower's willingness to repay; (iv) the profitability of the project financed by our loans; (v) the net realizable value of any collateral and the prospect for support from any guarantor; and (vi) the enforceability of our claims. The key factors for each loan classification are listed below. This is not intended to be a complete list of all factors taken into account in classifying our loans. See "Risk Management—Credit Risk Management—Credit Management for Corporate Loans—Loan Disbursement and Post-disbursement Management—Loan Classification."

Normal. Loans are classified as normal only if the borrower can honor the terms of its loans and there is no sufficient reason to doubt its ability to repay principal and interest in full on a timely basis.

Special Mention. Loans should be classified as special mention if the borrower is able to service its loans currently with its business revenues and, when necessary, through foreclosure on collateral, although repayment may be adversely affected by specific factors, such as:

- the principal or any interest payments are overdue for 90 days or less;
- there have been adverse changes to the borrower's industry;
- the borrower's financing plan has not been carried out;
- there have been adverse changes to the borrower's business operations;
- there have been significant changes to the borrower's corporate structure, such as through mergers and acquisitions, spin-offs, reorganization or asset restructuring, or the borrower has made significant investments or acquired significant long-term assets, in each case potentially adversely affecting the borrower's financial ability or willingness to repay our loans;
- there have been adverse changes to the borrower's principal shareholders, subsidiaries or management;

ASSETS AND LIABILITIES

- there have been adverse changes to the business relationships between the borrower and us;
- there have occurred budget overruns, changes in construction designs or delays in progress for the construction projects financed by our loans; or
- there has been a decrease in the value of the collateral or an adverse development in the guarantor's business or financial condition.

Substandard. Loans should be classified as substandard if the borrower's ability to service its loans is in question as it cannot rely entirely on normal business revenues to repay principal and interest, and losses (expected to be up to 40% of the outstanding loan balance) may ensue even when collateral or guarantees are invoked. Loans are generally classified as substandard if any of the following circumstances arises:

- the principal or any interest payments are overdue for more than 90 days but not more than 180 days;
- the borrower has engaged in alleged significant violations of laws;
- a restructuring is required due to adverse changes in the borrower's financial condition or its inability to repay our loans; or
- the borrower has deliberately obtained the loan with illegal measures or attempted to evade the repayment obligation, such as transferring assets.

Doubtful. Loans should be classified as doubtful if the borrower cannot repay principal and interest in full and significant losses (ranging from 40% to 90% of the outstanding loan balance) will need to be recognized even when collateral or guarantees are invoked. Loans in the doubtful category generally demonstrate the following characteristics:

- the principal or any interest payments are overdue for more than 180 days;
- the borrower's productions or operations have been suspended or partially suspended and are unlikely to resume, or the fixed-asset project has been suspended or terminated;
- the loan is still overdue or the borrower is still unable to repay the loan in full notwithstanding a restructuring of the loan; or
- the borrower has no intention to repay our loans and we have instituted legal proceedings against the borrower; however, the estimated realizable value of the collateral or foreclosed assets is notably below the principal of and interest on our loans than remain unpaid.

Loss. Loans should be classified as loss if only a small portion or no principal and interest can be recovered after all possible measures have been taken and all legal remedies have been exhausted. Loans in the loss category generally demonstrate the following characteristics:

- the borrower has been bankrupt, shut down, dissolved or closed, or has terminated all of its operations;
- the construction of the fixed asset project has been suspended for an extended period of time and is unlikely to resume;
- the loan remains unpaid even after the conclusion of a judicial or arbitral proceeding with respect to the borrower and the enforcement of the guarantee or foreclosure on the

ASSETS AND LIABILITIES

collateral, or the loan has not been recovered after the lapse of 540 days following the enforcement proceeding at a court; or

- for borrowers classified as small businesses pursuant to the rules of the CBRC, the principal or any interest payments are overdue for more than 360 days for unsecured loans or loans secured by guarantee or more than 540 days for loans secured by collateral.

Retail Loans

In applying the loan classification criteria to retail loans, we primarily consider the length of time by which payments of principal or interest are overdue and the type of collateral, based on which our retail loans are automatically classified by our CMS system. Our retail banking department and risk management department can re-classify a loan considering additional factors based on information collected in the post-disbursement monitoring process.

The following table sets forth the length of time by which payment of principal or any interest is overdue by the five-category loan classification and by collateral type for our retail loans other than loans to rural households.

	<u>Loans secured by mortgages⁽¹⁾</u>	<u>Loans secured by pledges⁽²⁾</u>	<u>Guaranteed loans</u>	<u>Unsecured loans</u>
	(days)			
Normal	0	0-30	0	0
Special mention	1-90	31-90	1-90	1-30
Substandard	91-180	91-180	91-180	31-90
Doubtful	181-540	181-540	181-360	91-360
Loss	>540	>540	>360	>360

(1) Represents security interests in certain assets, such as buildings and fixtures, land use rights, machines, equipment and vehicles, without taking possession.

(2) Represents security interests in certain assets, such as movable assets, certificates of deposit, financial instruments (including discounted bills), intellectual property rights and rights to future cash flows, by taking possession of or registering against such assets.

The following table sets forth the length of time by which payment of principal or any interest is overdue by the five-category loan classification and by collateral type for loans to rural households.

	<u>Loans secured by mortgages⁽¹⁾</u>	<u>Loans secured by pledges⁽²⁾</u>	<u>Guaranteed loans</u>	<u>Unsecured loans</u>
	(days)			
Normal	0	0-30	0	0
Special mention	1-60	31-60	1-30	1-30
Substandard	61-180	61-180	31-180	31-60
Doubtful	181-360	181-360	181-360	61-360
Loss	>360	>360	>360	>360

(1) Represents security interests in certain assets, such as buildings and fixtures, land use rights, machines, equipment and vehicles, without taking possession.

(2) Represents security interests in certain assets, such as movable assets, certificates of deposit, financial instruments (including discounted bills), intellectual property rights and rights to future cash flows, by taking possession of or registering against such assets.

ASSETS AND LIABILITIES

Distribution of Loans by Loan Classification

The following tables set forth, at the dates indicated, the distribution of our loan portfolio by the five-category loan classification. We use the term “non-performing loans” and “impaired loans” synonymously to refer to the loans identified as “impaired loans” in Note VI. 18 to our consolidated financial statements included in 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 or loss, as applicable.

	At December 31,					
	2007		2008 ⁽¹⁾		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Normal	2,386,505	68.69%	2,568,164	82.84%	3,693,136	89.24%
Special mention	268,816	7.74	397,928	12.84	324,810	7.85
Substandard	51,341	1.48	87,104	2.81	52,575	1.27
Doubtful	217,721	6.27	43,968	1.42	62,895	1.52
Loss	549,791	15.82	2,995	0.09	4,771	0.12
Total loans to customers	3,474,174	100.00%	3,100,159	100.00%	4,138,187	100.00%
Non-performing loan ratio⁽²⁾		23.57%		4.32%		2.91%

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

(2) Calculated by dividing total non-performing loans by total loans.

ASSETS AND LIABILITIES

The following table sets forth, at the dates indicated, the distribution of our loans by business line and by the five-category loan classification system.

	At December 31,					
	2007		2008 ⁽¹⁾		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)						
Domestic						
Corporate loans						
Normal	1,766,930	63.99%	1,868,990	79.21%	2,561,871	86.30%
Special mention	245,069	8.88	367,021	15.56	298,035	10.04
Substandard	47,258	1.71	80,706	3.42	45,997	1.55
Doubtful	187,122	6.78	40,335	1.71	60,393	2.03
Loss	514,778	18.64	2,245	0.10	2,395	0.08
Subtotal	<u>2,761,157</u>	<u>100.00</u>	<u>2,359,297</u>	<u>100.00</u>	<u>2,968,691</u>	<u>100.00</u>
Non-performing loan ratio⁽²⁾		27.13%		5.23%		3.66%
Discounted bills						
Normal	203,678	99.78	256,870	99.88	352,025	99.94
Special mention	75	0.04	222	0.09	139	0.04
Substandard	1	0.00	49	0.02	44	0.01
Doubtful	256	0.12	18	0.01	19	0.01
Loss	117	0.06	4	0.00	3	0.00
Subtotal	<u>204,127</u>	<u>100.00</u>	<u>257,163</u>	<u>100.00</u>	<u>352,230</u>	<u>100.00</u>
Non-performing loan ratio⁽²⁾		0.18%		0.03%		0.02%
Retail loans						
Normal	398,649	81.16	423,457	91.17	751,634	95.23
Special mention	23,672	4.82	30,685	6.61	26,636	3.37
Substandard	3,913	0.80	6,286	1.35	6,483	0.82
Doubtful	30,310	6.17	3,495	0.75	2,461	0.31
Loss	34,641	7.05	542	0.12	2,128	0.27
Subtotal	<u>491,185</u>	<u>100.00</u>	<u>464,465</u>	<u>100.00</u>	<u>789,342</u>	<u>100.00</u>
Non-performing loan ratio⁽²⁾		14.02%		2.22%		1.40%
Overseas and other operations⁽³⁾						
Normal	17,248	97.42	18,847	97.99	27,606	98.86
Special mention	—	—	—	—	—	—
Substandard	169	0.95	63	0.33	51	0.18
Doubtful	33	0.19	120	0.62	22	0.08
Loss	255	1.44	204	1.06	245	0.88
Subtotal	<u>17,705</u>	<u>100.00</u>	<u>19,234</u>	<u>100.00</u>	<u>27,924</u>	<u>100.00</u>
Non-performing loan ratio⁽²⁾		2.58%		2.01%		1.14%
Total loans to customers	<u>3,474,174</u>		<u>3,100,159</u>		<u>4,138,187</u>	
Non-performing loan ratio⁽⁴⁾		23.57%		4.32%		2.91%

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

(2) Calculated by dividing non-performing loans in each category by total loans in that category.

(3) Consists of loans to customers at our overseas branches and our subsidiaries in and outside of China. Loans made by our overseas branches or subsidiaries are governed by the loan classification systems applicable in the relevant jurisdictions, which are not necessarily comparable with one another or with our five-category loan classification system. Consequently, for purposes of this table, we present these loans as normal, special mention, substandard, doubtful or loss.

(4) Calculated by dividing total non-performing loans by total loans.

ASSETS AND LIABILITIES

Our non-performing loans decreased by 10.3% to RMB120.2 billion at December 31, 2009 from RMB134.1 billion at December 31, 2008, and the non-performing loan ratio of our total loan portfolio decreased to 2.91% at December 31, 2009 from 4.32% at December 31, 2008. The decreases in the balance of our non-performing loans and our non-performing loan ratio were primarily due to (i) our efforts to strengthen our credit policies and procedures, including, among other things, our strengthened customer identification and customer list-based management, and increased use of our risk alert system and credit exposure limits, to control the formation of non-performing loans, (ii) our continued efforts to improve our risk management system, including improving the risk management capabilities of our information technology system, which effectively increase our ability to identify credit risk, (iii) our increased collection efforts, and (iv) the overall growth of our loan portfolio.

In 2008, as part of our financial restructuring, we disposed of non-performing loans in an aggregate principal amount of RMB766.8 billion, consisting of RMB217.3 billion in doubtful loans and RMB549.5 billion in loss loans. As a result, our non-performing loans decreased to RMB134.1 billion at December 31, 2008 from RMB818.9 billion at December 31, 2007 and the non-performing loan ratio decreased to 4.32% at December 31, 2008 from 23.57% at December 31, 2007.

Loans Classified as Special Mention

As a percentage of our total loan portfolio, loans classified as special mention increased to 12.84% at December 31, 2008 upon the completion of our restructuring-related disposal. As a percentage of our total loans portfolio, loans classified as special mention decreased to 7.85% at December 31, 2009 from 12.84% at December 31, 2008, primarily reflecting the continued improvement in the asset quality of our loan portfolio.

The following table sets forth, at the dates indicated, the distribution of our loans classified as special mention by the type of collateral.

	At December 31,					
	2007		2008 ⁽¹⁾		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)						
Loans secured by mortgages ⁽²⁾⁽³⁾	114,585	42.7%	186,735	46.9%	134,589	41.5%
Loans secured by pledges ⁽²⁾⁽⁴⁾	37,199	13.8	44,824	11.3	43,327	13.3
Guaranteed loans ⁽²⁾	95,184	35.4	133,438	33.5	109,847	33.8
Unsecured loans	21,848	8.1	32,931	8.3	37,047	11.4
Total	268,816	100.0%	397,928	100.0%	324,810	100.0%

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

(2) Represents the total amount of loans wholly or partly secured by collateral in each category.

(3) Represents security interests in certain assets, such as buildings and fixtures, land use rights, machines, equipment and vehicles, without taking possession.

(4) Represents security interests in certain assets, such as movable assets, certificates of deposit, financial instruments (including discounted bills), intellectual property rights and rights to future cash flows, by taking possession of or registering against such assets.

Special mention loans secured by mortgages and pledges represented, in aggregate, more than 50% of total loans classified as special mention at December 31, 2009, 2008 and 2007. We believe such collateral provides an alternative source of repayment.

ASSETS AND LIABILITIES

Changes in the Asset Quality of Our Domestic Loan Portfolio by New Loans and Pre-existing Loans

The following discussion analyzes the changes in the asset quality of our domestic loans at the dates presented. Since January 1, 2004, pursuant to the CBRC guidelines, we have applied a five-category loan classification system to classify our loans to normal, special mention, substandard, doubtful and loss, which replaced the previous four-category loan classification system where loans were classified into pass, overdue, non-performing and loss. We have also taken a number of initiatives to strengthen our credit risk management policies and procedures and improve our credit risk management capabilities. See “Risk Management—Risk Management Initiatives in Recent Years.” Furthermore, we believe that a January 1, 2004 starting date allows us to assess our asset quality over a sufficiently long period to reflect the loan seasoning cycle of a sufficient proportion of domestic loans made subsequent to that date.

For the purposes of this discussion, we categorize our domestic loans into “Pre-existing Loans” and “New Loans.” Pre-existing Loans include domestic loans made for the first time prior to January 1, 2004. New Loans include domestic loans made for the first time after January 1, 2004. Domestic loans made for the first time prior to January 1, 2004 and rolled over after January 1, 2004 are included as Pre-existing Loans. This discussion does not include any loans made by our overseas branches and our subsidiaries in and outside of China.

The following table sets forth, at the dates indicated, the balances of our New Loans and Pre-existing Loans.

	At December 31,					
	2007		2008 ⁽¹⁾		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
New Loans	2,310,124	66.8%	2,718,080	88.2%	3,815,630	92.8%
Pre-existing Loans	1,146,345	33.2	362,845	11.8	294,633	7.2
Total	3,456,469	100.0%	3,080,925	100.0%	4,110,263	100.0%

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

ASSETS AND LIABILITIES

The following table sets forth, at the dates indicated, the distribution of our New Loans by loan classification category.

	At December 31,					
	2007		2008 ⁽¹⁾		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Normal	2,066,657	89.46%	2,305,894	84.84%	3,451,331	90.45%
Special mention	171,136	7.41	324,499	11.93	275,297	7.22
Substandard	23,816	1.03	60,042	2.21	43,364	1.14
Doubtful	37,170	1.61	26,569	0.98	43,002	1.13
Loss	11,345	0.49	1,076	0.04	2,636	0.06
Total New Loans	<u>2,310,124</u>	<u>100.00%</u>	<u>2,718,080</u>	<u>100.00%</u>	<u>3,815,630</u>	<u>100.00%</u>
Non-performing loan ratio⁽²⁾		3.13%		3.23%		2.33%

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

(2) Calculated by dividing total non-performing New Loans by total New Loans.

The following table sets forth, at the dates indicated, the distribution of our Pre-existing Loans by loan classification category.

	At December 31,					
	2007		2008 ⁽¹⁾		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Normal	302,600	26.40%	243,423	67.09%	214,199	72.70%
Special mention	97,680	8.52	73,429	20.23	49,513	16.81
Substandard	27,356	2.39	26,999	7.44	9,160	3.11
Doubtful	180,518	15.75	17,279	4.76	19,871	6.74
Loss	538,191	46.94	1,715	0.48	1,890	0.64
Total Pre-existing Loans	<u>1,146,345</u>	<u>100.00%</u>	<u>362,845</u>	<u>100.00%</u>	<u>294,633</u>	<u>100.00%</u>
Non-performing loan ratio⁽²⁾		65.08%		12.68%		10.49%

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

(2) Calculated by dividing total non-performing Pre-existing Loans by total Pre-existing Loans.

ASSETS AND LIABILITIES

Changes to the Asset Quality of Our Loan Portfolio

The following table sets forth, for the periods indicated, the changes in the outstanding balance of our non-performing loans of our domestic loan portfolio.

	<u>Amount</u>	<u>NPL ratio</u>
	(in millions of RMB, except percentages)	
At December 31, 2006	<u>846,382</u>	<u>27.08%</u>
Downgrades ⁽¹⁾	46,815	
Upgrades	(17,443)	
Recoveries	(53,872)	
Transfers-out ⁽²⁾	(307)	
Write-offs	<u>(3,179)</u>	
At December 31, 2007	<u>818,396</u>	<u>23.68%</u>
Downgrades ⁽¹⁾	96,152	
Upgrades	(1,966)	
Recoveries	(12,132)	
Transfers-out ⁽²⁾	—	
Write-offs	(2)	
Restructuring-related disposal	<u>(766,768)</u>	
At December 31, 2008	<u>133,680</u>	<u>4.34%</u>
Downgrades ⁽¹⁾	39,099	
Upgrades	(15,794)	
Recoveries	(36,048)	
Transfers-out ⁽²⁾	—	
Write-offs	<u>(1,014)</u>	
At December 31, 2009	<u>119,923</u>	<u>2.92%</u>

(1) Represents downgrades of loans classified as normal or special mention at the end of last year and loans newly made in the current year to non-performing classifications.

(2) Consists primarily of the transfer of non-performing loans to foreclosed assets.

ASSETS AND LIABILITIES

The following table sets forth, for the periods indicated, the migration ratios of our domestic loan portfolio, calculated in accordance with the applicable CBRC requirements.

	<u>For the year ended December 31,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Normal and special mention loans ⁽¹⁾	2.65%	3.35%	1.65%
Normal loans ⁽²⁾	5.53%	12.67%	5.00%
Special mention loans ⁽³⁾	9.66%	14.46%	6.51%
Substandard loans ⁽⁴⁾	36.56%	55.58%	39.33%
Doubtful loans ⁽⁵⁾	25.78%	15.93%	5.83%

- (1) Represents migration ratios of loans classified as normal or special mention which were downgraded to other classifications. The migration ratio of normal and special mention loans represents a fraction, the numerator of which equals the sum of (i) loans classified as normal at the beginning date of the period and downgraded to non-performing classifications at the end of the period, and (ii) loans classified as special mention at the beginning date of the period and downgraded to non-performing classifications at the end of the period, and the denominator of which equals the sum of (i) the difference between the balance of normal loans at the beginning date of the period and the decrease, in the period, in the loans which were classified as normal at the beginning date of the period, and (ii) the difference between the balance of special mention loans at the beginning date of the period and the decrease in such loans in the period.
- (2) Represents migration ratio of loans classified as normal which were downgraded to other classifications. The normal loan migration ratio represents a fraction, the numerator of which equals loans classified as normal at the beginning date of the period and downgraded to lower classifications, and the denominator of which equals the difference between the balance of normal loans at the beginning date of the period and the decrease in such loans in the period.
- (3) Represents migration ratio of loans classified as special mention which were downgraded to other classifications. The special mention loan migration ratio represents a fraction, the numerator of which equals the loans which were classified as special mention at the beginning date of the period and downgraded to lower classifications, and the denominator of which equals the difference between the balance of special mention loans at the beginning date of the period and the decrease in such loans in the period.
- (4) Represents migration ratio of loans classified as substandard which were downgraded to other classifications. The substandard loan migration ratio represents a fraction, the numerator of which equals the loans classified as substandard at the beginning date of the period and downgraded to other classifications, and the denominator of which equals the difference between the balance of substandard loans at the beginning date of the period and the decrease in such loans in the period.
- (5) Represents migration ratio of loans classified as doubtful which were downgraded to other classification. The doubtful loan migration ratio represents a fraction, the numerator of which equals the loans classified as doubtful at the beginning date of the period and downgraded to other classification, and the denominator of which equals the difference between the balance of doubtful loans at the beginning date of the period and the decrease in such loans in the period.

ASSETS AND LIABILITIES

Changes to the Asset Quality of Our Corporate Loans and Discounted Bills

The following table sets forth, for the periods indicated, the changes in the outstanding balance of our non-performing corporate loans and discounted bills in our domestic loan portfolio.

	<u>Amount</u>	<u>NPL ratio</u>
	(in millions of RMB, except percentages)	
At December 31, 2006	777,691	31.58%
Downgrades ⁽¹⁾	37,584	
Upgrades	(16,803)	
Recoveries	(45,591)	
Transfers-out ⁽²⁾	(307)	
Write-offs	(3,042)	
At December 31, 2007	749,532	25.28%
Downgrades ⁽¹⁾	88,502	
Upgrades	(1,216)	
Recoveries	(11,235)	
Transfers-out ⁽²⁾	—	
Write-offs	(2)	
Restructuring-related disposal	(702,224)	
At December 31, 2008	123,357	4.71%
Downgrades ⁽¹⁾	33,615	
Upgrades	(14,449)	
Recoveries	(32,692)	
Transfers-out ⁽²⁾	—	
Write-offs	(980)	
At December 31, 2009	108,851	3.28%

(1) Represents downgrades of loans classified as normal or special mention at the end of the previous year and loans newly made in the current year to non-performing classifications.

(2) Consists primarily of the transfer of non-performing loan assets to foreclosed assets.

The following table sets forth, for the periods indicated, the migration ratios of our domestic corporate loans and discounted bills, calculated in accordance with the applicable CBRC requirements.

	<u>For the year ended December 31,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Normal and special mention loans ⁽¹⁾	2.49%	3.51%	1.66%
Normal loans ⁽¹⁾	4.92%	13.49%	5.30%
Special mention loans ⁽¹⁾	8.91%	14.47%	6.40%
Substandard loans ⁽¹⁾	35.08%	56.71%	40.39%
Doubtful loans ⁽¹⁾	23.96%	—	2.46%

(1) For calculation methodology, see the footnotes to the migration ratio table under “—Changes to the Asset Quality of Our Loan Portfolio.”

ASSETS AND LIABILITIES

Changes to the Asset Quality of Our Retail Loans

The following table sets forth, for the periods indicated, the changes in the outstanding balance of our non-performing retail loans in our domestic loan portfolio.

	<u>Amount</u>	<u>NPL ratio</u>
	(in millions of RMB, except percentages)	
At December 31, 2006	68,691	16.70%
Downgrades ⁽¹⁾	9,231	
Upgrades	(640)	
Recoveries	(8,281)	
Transfers-out ⁽²⁾	—	
Write-offs	(137)	
At December 31, 2007	68,864	14.02%
Downgrades ⁽¹⁾	7,650	
Upgrades	(750)	
Recoveries	(897)	
Transfers-out ⁽²⁾	—	
Write-offs	—	
Restructuring-related disposal	(64,544)	
At December 31, 2008	10,323	2.22%
Downgrades ⁽¹⁾	5,484	
Upgrades	(1,345)	
Recoveries	(3,356)	
Transfers-out ⁽²⁾	—	
Write-offs	(34)	
At December 31, 2009	11,072	1.40%

(1) Represents downgrades of loans classified as normal or special mention at the end of the previous year and loans newly made in the current year to non-performing classifications.

(2) Consists primarily of the transfer of non-performing loan assets to foreclosed assets.

The following table sets forth, for the periods indicated, the migration ratios of our domestic retail loans, calculated in accordance with the applicable CBRC requirements.

	<u>For the year ended December 31,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Normal and special mention loans ⁽¹⁾	3.80%	2.41%	1.58%
Normal loans ⁽¹⁾	9.32%	7.94%	3.22%
Special mention loans ⁽¹⁾	20.70%	14.35%	7.82%
Substandard loans ⁽¹⁾	63.67%	40.86%	25.03%
Doubtful loans ⁽¹⁾	77.67%	26.25%	52.28%

(1) For calculation methodology, see the footnotes to the migration ratio table under “—Changes to the Asset Quality of Our Loan Portfolio.”

ASSETS AND LIABILITIES

Distribution of Non-performing Loans by Product Type

The following table sets forth, at the dates indicated, our non-performing loans by product type.

	At December 31,								
	2007			2008 ⁽¹⁾			2009		
	Amount	% of total	NPL ratio ⁽²⁾	Amount	% of total	NPL ratio ⁽²⁾	Amount	% of total	NPL ratio ⁽²⁾
(in millions of RMB, except percentages)									
Domestic									
Corporate loans									
Short-term loans	484,388	59.2%	33.66%	48,850	36.4%	4.39%	46,329	38.6%	3.74%
Medium- and long-term loans	264,770	32.3	20.03	74,436	55.5	5.97	62,456	51.9	3.61
Subtotal	<u>749,158</u>	<u>91.5</u>	<u>27.13</u>	<u>123,286</u>	<u>91.9</u>	<u>5.23</u>	<u>108,785</u>	<u>90.5</u>	<u>3.66</u>
Discounted bills									
Bank acceptance bills	95	0.0	0.05	71	0.1	0.03	40	0.0	0.01
Commercial acceptance bills	279	0.0	16.71	—	—	—	26	0.0	0.07
Subtotal	<u>374</u>	<u>0.0</u>	<u>0.18</u>	<u>71</u>	<u>0.1</u>	<u>0.03</u>	<u>66</u>	<u>0.0</u>	<u>0.02</u>
Retail loans									
Residential mortgage loans	7,426	0.9	2.48	5,271	3.9	1.65	5,389	4.5	1.08
Loans to private businesses	9,837	1.2	10.61	3,171	2.4	4.04	3,426	2.8	3.23
Personal consumption loans	5,234	0.6	13.06	475	0.4	1.12	456	0.4	0.53
Credit card balances	462	0.1	10.46	187	0.1	2.37	282	0.2	2.00
Others ⁽³⁾	45,905	5.6	83.35	1,219	0.9	7.46	1,519	1.3	1.77
Subtotal	<u>68,864</u>	<u>8.4</u>	<u>14.02</u>	<u>10,323</u>	<u>7.7</u>	<u>2.22</u>	<u>11,072</u>	<u>9.2</u>	<u>1.40</u>
Overseas and other operations⁽⁴⁾	<u>457</u>	<u>0.1</u>	<u>2.58</u>	<u>387</u>	<u>0.3</u>	<u>2.01</u>	<u>318</u>	<u>0.3</u>	<u>1.14</u>
Total non-performing loans	<u>818,853</u>	<u>100.0%</u>	<u>23.57%</u>	<u>134,067</u>	<u>100.0%</u>	<u>4.32%</u>	<u>120,241</u>	<u>100.0%</u>	<u>2.91%</u>

- (1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.
(2) Calculated by dividing non-performing loans in each category by total loans in that category.
(3) Consists primarily of loans to rural households.
(4) Consists of loans to customers at our overseas branches and our subsidiaries in and outside of China.

The decrease in the non-performing loan ratio of our corporate loan portfolio to 3.66% at December 31, 2009 from 5.23% at December 31, 2008 was primarily due to a combination of (i) the strengthening of our credit risk management policies and procedures, including the introduction of credit exposure limits and more proactive post-disbursement loan monitoring over certain borrowers and certain industries, (ii) our efforts to refine our corporate customer profile, including the implementation of customer list-based management, (iii) our increased focus on recovering non-performing loans, and (iv) the overall growth of our corporate loan portfolio. The decrease in the non-performing loan ratio of our corporate loan portfolio from 27.13% at December 31, 2007 to 5.23% at December 31, 2008 was primarily attributable to the restructuring-related disposal in 2008.

The decrease in the non-performing loan ratio of our retail loan portfolio from 2.22% at December 31, 2008 to 1.40% at December 31, 2009 was primarily due to our continued efforts to

ASSETS AND LIABILITIES

strengthen risk management, including (i) the strengthening of our pre-loan review and credit approval process management with respect to retail loans, (ii) our close monitoring of the customers' use of retail loans, (iii) the strengthening of our appraisal and management of collateral securing our retail loans, and (iv) the overall growth of our retail loan portfolio. The decrease in the non-performing loan ratio of our retail loan portfolio from 14.02% at December 31, 2007 to 2.22% at December 31, 2008 primarily reflected the effect of the restructuring-related disposal.

ASSETS AND LIABILITIES

Distribution of Corporate Non-performing Loans by Industry

The following table sets forth, at the dates indicated, the distribution of our non-performing corporate loans by industry.

	At December 31,								
	2007			2008 ⁽¹⁾			2009		
	Amount	% of total	NPL ratio ⁽²⁾	Amount	% of total	NPL ratio ⁽²⁾	Amount	% of total	NPL ratio ⁽²⁾
(in millions of RMB, except percentages)									
Manufacturing									
Smelting and pressing of ferrous metals	6,862	0.9%	7.66%	1,078	0.9%	1.01%	1,273	1.2%	1.03%
Chemical materials and products	22,174	3.0	26.48	2,850	2.3	3.77	3,810	3.5	4.26
Textile	25,074	3.3	32.49	3,449	2.9	6.55	3,196	2.9	5.57
Metal products	13,392	1.8	22.75	1,533	1.2	2.97	1,821	1.7	3.03
Smelting and pressing of non-ferrous metals	9,195	1.2	20.95	978	0.8	2.50	1,212	1.1	2.32
Non-metallic mineral products	22,332	3.0	43.79	2,336	1.9	6.35	1,690	1.6	3.60
Communication equipment, computers and other electronic equipment	6,978	0.9	17.38	2,395	1.9	7.01	2,741	2.5	7.90
Food processing	42,601	5.8	65.60	1,494	1.2	4.70	1,719	1.6	3.73
General purpose machinery	7,673	1.0	22.66	958	0.8	3.02	813	0.7	2.19
Electrical machinery and equipment	5,183	0.7	18.65	587	0.5	1.88	819	0.8	1.79
Paper and paper products	9,583	1.3	29.00	2,029	1.6	6.93	2,096	1.9	6.97
Others ⁽³⁾	122,512	16.4	35.85	12,953	10.5	5.34	13,255	12.2	5.03
Subtotal	<u>293,559</u>	<u>39.3</u>	<u>31.04</u>	<u>32,640</u>	<u>26.5</u>	<u>4.28</u>	<u>34,445</u>	<u>31.7</u>	<u>3.88</u>
Production and supply of power, gas and water	26,531	3.5	7.77	21,866	17.7	5.71	16,062	14.8	3.90
Real estate	35,920	4.8	10.35	20,362	16.5	6.06	14,816	13.6	3.47
Transportation, logistics and postal services	15,092	2.0	9.48	7,861	6.4	3.93	9,243	8.5	3.05
Retail and wholesale	159,107	21.2	51.94	9,091	7.4	5.50	10,412	9.6	4.58
Water, environment and public utilities management	6,083	0.8	7.88	5,919	4.8	6.51	3,715	3.4	2.39
Construction	13,049	1.7	16.02	3,932	3.2	4.77	2,761	2.5	2.77
Mining	10,832	1.4	16.14	1,134	0.9	1.71	1,179	1.1	1.26
Leasing and commercial services	47,815	6.4	43.08	4,001	3.2	6.22	3,152	2.9	2.18
Information transmission, computer services and software	4,146	0.6	13.48	1,043	0.8	2.74	551	0.5	1.95
Others ⁽⁴⁾	137,024	18.3	46.66	15,437	12.6	9.09	12,449	11.4	6.52
Total non-performing corporate loans	<u>749,158</u>	<u>100.0%</u>	<u>27.13%</u>	<u>123,286</u>	<u>100.0%</u>	<u>5.23%</u>	<u>108,785</u>	<u>100.0%</u>	<u>3.66%</u>

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

(2) Calculated by dividing non-performing loans in each category by total loans in that category.

(3) Consists primarily of transport equipment, processing of petroleum, coking and processing of nuclear fuel, textile, apparel, footwear and headwear.

(4) Consists primarily of education, agriculture, forestry, animal husbandry and fishery, hotels and catering.

ASSETS AND LIABILITIES

The non-performing loans to corporate borrowers in industries such as (i) production and supply of power, gas and water, (ii) real estate, and (iii) water, environment and public utilities management experienced the largest decreases from December 31, 2008 to December 31, 2009. At December 31, 2009, the non-performing loans in the production and supply of power, gas and water industry decreased by 26.5% to RMB16.1 billion from RMB21.9 billion at December 31, 2008 and the non-performing loan ratio of the loans to this industry decreased to 3.90% at December 31, 2009 from 5.71% at December 31, 2008, primarily due to the recovery of business operations of our certain corporate customers in this industry from the Sichuan earthquake in 2008. The non-performing loans to corporate borrowers in the real estate industry decreased by 27.2% to RMB14.8 billion at December 31, 2009 from RMB20.4 billion at December 31, 2008, and the respective non-performing loan ratio decreased to 3.47% at December 31, 2009 from 6.06% at December 31, 2008, primarily attributable to the strengthened risk management policies and procedures, including refined procedures for borrower selection and post-disbursement monitoring. We have also focused on risk monitoring with respect to our loans to the industries impacted by the financial crisis. As a result, the loans to most industries in our corporate loan portfolio experienced decreases in the non-performing loan ratio at December 31, 2009 from December 31, 2008.

The changes in the balances and non-performing loan ratio of our corporate loans by industry from December 31, 2007 to December 31, 2008 resulted primarily from our restructuring-related disposal.

Distribution of Non-performing Loans by Geographical Region

The following table sets forth, at the dates indicated, the distribution of our non-performing loans by geographical region.

	At December 31,								
	2007			2008 ⁽¹⁾			2009		
	Amount	% of total	NPL ratio ⁽²⁾	Amount	% of total	NPL ratio ⁽²⁾	Amount	% of total	NPL ratio ⁽²⁾
	(in millions of RMB, except percentages)								
Head Office ⁽³⁾	4,873	0.6%	4.53%	2,128	1.6%	1.51%	2,127	1.8%	1.74%
Yangtze River Delta	52,097	6.4	6.21	22,198	16.6	2.48	22,194	18.5	1.93
Pearl River Delta	86,039	10.5	18.58	14,557	10.9	3.25	14,888	12.4	2.43
Bohai Rim	122,108	14.9	21.16	21,287	15.9	4.22	19,642	16.3	2.78
Central China	233,088	28.5	45.24	17,968	13.4	5.26	16,086	13.3	3.30
Northeastern China	122,395	14.8	59.60	7,364	5.5	8.15	6,146	5.1	4.68
Western China	197,796	24.2	26.40	48,178	35.8	7.32	38,840	32.3	4.31
Overseas and other operations ⁽⁴⁾	457	0.1	2.58	387	0.3	2.01	318	0.3	1.14
Total non-performing loans	818,853	100.0%	23.57%	134,067	100.0%	4.32%	120,241	100.0%	2.91%

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

(2) Calculated by dividing non-performing loans in each region by total loans in that region.

(3) Consists primarily of loans originated by our head office to some of our large corporate borrowers in all geographical regions of China, discounted bills at our discounted bills department at our head office and credit card balances booked at our credit card center, which were non-performing at the respective date.

(4) Consists of loans to customers at our overseas branches and our subsidiaries in and outside of China.

ASSETS AND LIABILITIES

The non-performing loan ratios of our loans to customers originated in Northeastern China, Western China and Central China decreased to 4.68%, 4.31% and 3.30%, respectively, at December 31, 2009 from 8.15%, 7.32% and 5.26%, respectively, at December 31, 2008, primarily due to (i) an overall growth in our loans to borrowers in these regions, primarily reflecting our initiatives to expand lending to these areas to meet increasing customer demand stimulated by the PRC government's continued policies to promote economic development in these regions, (ii) our continued efforts to strengthen our credit risk management policies and procedures, including our implementation of more stringent customer admission criteria, industry-specific credit guidelines and credit authorization management, and (iii) our increased efforts to refine our customer mix and loan mix, including through growing the loan products which present relatively low credit risk and prioritizing lending to our valued customers.

The changes in the balances and non-performing loan ratio of our loans by geographical region from December 31, 2007 to December 31, 2008 resulted primarily from our restructuring-related disposal.

Distribution of Non-performing Loans by Collateral

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

	At December 31,								
	2007			2008 ⁽¹⁾			2009		
	Amount	% of total	NPL ratio ⁽²⁾	Amount	% of total	NPL ratio ⁽²⁾	Amount	% of total	NPL ratio ⁽²⁾
	(in millions of RMB, except percentages)								
Loans secured by mortgages ⁽³⁾⁽⁴⁾	307,292	37.5%	22.70%	66,392	49.5%	5.59%	61,378	51.0%	3.93%
Loans secured by pledges ⁽³⁾⁽⁵⁾	20,716	2.5	4.68	21,019	15.7	4.15	13,096	10.9	1.93
Guaranteed loans ⁽³⁾	234,956	28.7	23.91	43,689	32.6	6.67	41,066	34.2	3.73
Unsecured loans	255,889	31.3	36.79	2,967	2.2	0.40	4,701	3.9	0.59
Total non-performing loans	818,853	100.0%	23.57%	134,067	100.0%	4.32%	120,241	100.0%	2.91%

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

(2) Calculated by dividing non-performing loans in each category by total loans in that category.

(3) Represents the total amount of loans wholly or partly secured by collateral in each category.

(4) Represents security interests in certain assets, such as buildings and fixtures, land use rights, machines, equipment and vehicles, without taking possession.

(5) Represents security interests in certain assets, such as movable assets, certificates of deposit, financial instruments (including discounted bills), intellectual property rights and rights to future cash flows, by taking possession of or registering against such assets.

ASSETS AND LIABILITIES

Ten Largest Non-performing Borrowers

The following table sets forth, at the date indicated, our borrowers with the ten largest non-performing loan balances outstanding.

At December 31, 2009					
Industry	Amount	Classification	% of total non-performing loans	% of total regulatory capital ⁽¹⁾	
(in millions of RMB, except percentages)					
Borrower A	Real estate	2,000	Doubtful	1.67%	0.45%
Borrower B	Transportation, logistics and postal services	1,681	Substandard	1.41	0.38
Borrower C	Manufacturing	1,170	Substandard	0.97	0.27
Borrower D	Production and supply of power, gas and water	940	Substandard	0.78	0.21
Borrower E	Transportation, logistics and postal services	930	Doubtful	0.77	0.21
Borrower F	Water, environment and public utilities management	750	Doubtful	0.62	0.17
Borrower G	Construction	630	Substandard	0.52	0.14
Borrower H	Construction	600	Substandard	0.50	0.14
Borrower I	Production and supply of power, gas and water	532	Doubtful	0.44	0.12
Borrower J	Retail and wholesale	519	Substandard	0.43	0.12
Total		9,752		8.11%	2.21%

(1) Represents loan amounts as a percentage of our regulatory capital, calculated in accordance with the requirements of the New Capital Adequacy Regulations and based on our financial statements prepared in accordance with PRC GAAP. For a calculation of our regulatory capital at December 31, 2009, see “Financial Information—Capital Resources—Capital Adequacy.”

ASSETS AND LIABILITIES

Loan Aging Schedule

The following table sets forth, at the dates indicated, our loan aging schedule.

	At December 31,					
	2007		2008 ⁽¹⁾		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)						
Domestic						
Current loans	2,653,286	76.5%	2,994,400	96.6%	4,032,435	97.4%
Loans past due for	803,183	23.0	86,525	2.8	77,828	1.9
1 to 90 days ⁽²⁾	46,771	1.3	40,315	1.3	20,349	0.5
91 to 365 days ⁽²⁾	42,716	1.2	30,991	1.0	16,290	0.4
1 to 3 years ⁽²⁾	119,488	3.4	14,590	0.5	40,119	1.0
Over 3 years ⁽²⁾	594,208	17.1	629	0.0	1,070	0.0
Subtotal	<u>3,456,469</u>	<u>99.5</u>	<u>3,080,925</u>	<u>99.4</u>	<u>4,110,263</u>	<u>99.3</u>
Overseas and other operations⁽³⁾						
Current loans	17,324	0.5	18,921	0.6	27,602	0.7
Loans past due for	381	0.0	313	0.0	322	0.0
1 to 90 days ⁽²⁾	11	0.0	—	—	68	0.0
91 to 365 days ⁽²⁾	99	0.0	—	—	9	0.0
1 to 3 years ⁽²⁾	78	0.0	164	0.0	114	0.0
Over 3 years ⁽²⁾	193	0.0	149	0.0	131	0.0
Subtotal	<u>17,705</u>	<u>0.5</u>	<u>19,234</u>	<u>0.6</u>	<u>27,924</u>	<u>0.7</u>
Total loans to customers	<u>3,474,174</u>	<u>100.0%</u>	<u>3,100,159</u>	<u>100.0%</u>	<u>4,138,187</u>	<u>100.0%</u>
Loans past due for 91 days or more	756,782		46,523		57,733	

(1) The amount at December 31, 2008 reflected the effect of restructuring-related disposal.

(2) Represents the principal amount of the loans on which principal or interest is overdue. For loans that are repayable in installments, if any portion of the loan is overdue, the total amount of that loan is classified as overdue.

(3) Consists of loans to customers at our overseas branches and our subsidiaries in and outside of China.

Allowance for Impairment Losses on Loans to Customers

We assess our loans for impairment, determine a level of allowance for impairment losses, and recognize any related provisions made in a year, using the concept of impairment under IAS39. See “Financial Information—Critical Accounting Estimates and Judgments—Impairment Losses on Loans” and Note VII 3.2 to our consolidated financial statements included in the Accountants’ Report in Appendix I to this prospectus.

Our loans are reported net of the allowance for impairment losses on our consolidated balance sheet. We perform individual assessments to determine the allowance for impairment losses against individually significant loans, which consist of corporate loans and discounted bills, if there is objective evidence of impairment as a result of events occurring after the initial recognition of loans which affect the estimated future cash flows of the loans.

The allowance for impairment losses of loans is measured as the difference between the carrying amounts and the estimated recoverable amounts of the loans. The estimated recoverable amounts are the present value of the estimated future cash flows of the loans, including, among other things, the recoverable value of the collateral.

ASSETS AND LIABILITIES

Individually significant loans for which no evidence of impairment has been individually identified consist of loans classified as normal and special mention. These loans are assessed collectively for the purpose of determining the allowance for impairment losses. Homogeneous groups of loans that are not considered individually significant represent retail loans. These loans 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 on current economic conditions.

For a description of our methodologies in calculating the estimated recoverable amount of loans, see “Financial Information—Critical Accounting Estimates and Judgments—Impairment Losses on Loans” and Note IV.10 to our consolidated financial statements included in the Accountants’ Report in Appendix I to this prospectus.

Distribution of Allowance for Impairment Losses by Loan Classification

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

	At December 31,								
	2007			2008 ⁽¹⁾			2009		
	Amount	% of total	Allowance to loans ⁽²⁾	Amount	% of total	Allowance to loans ⁽²⁾	Amount	% of total	Allowance to loans ⁽²⁾
(in millions of RMB, except percentages)									
Normal	24,718	3.3%	1.04%	24,822	29.1%	0.97%	55,648	43.9%	1.51%
Special mention	8,785	1.1	3.27	12,993	15.3	3.27	10,409	8.2	3.20
Substandard	13,326	1.7	25.96	17,525	20.5	20.12	13,419	10.6	25.52
Doubtful	169,022	22.1	77.63	26,879	31.6	61.13	42,445	33.5	67.49
Loss	549,131	71.8	99.88	2,956	3.5	98.70	4,771	3.8	100.00
Total allowance	764,982	100.0%	22.02%	85,175	100.0%	2.75%	126,692	100.0%	3.06%

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

(2) 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, at the dates indicated, the allocation of our allowance for impairment losses by business line and by loan classification category.

	At December 31,								
	2007			2008 ⁽¹⁾			2009		
	Amount	% of total	Allowance to loans ⁽²⁾	Amount	% of total	Allowance to loans ⁽²⁾	Amount	% of total	Allowance to loans ⁽²⁾
(in millions of RMB, except percentages)									
Domestic									
Corporate loans									
Normal	18,250	2.4%	1.03%	19,887	23.3%	1.06%	40,907	32.3%	1.60%
Special mention	7,290	1.0	2.97	11,938	14.0	3.25	9,766	7.7	3.28
Substandard	11,962	1.6	25.31	16,157	19.0	20.02	12,480	9.9	27.13
Doubtful	141,366	18.5	75.55	24,408	28.7	60.51	40,416	31.9	66.92
Loss	514,159	67.1	99.88	2,241	2.6	99.82	2,395	1.9	100.00
Subtotal	693,027	90.6	25.10	74,631	87.6	3.16	105,964	83.7	3.57
Discounted bills									
Normal	1,799	0.2	0.88	2,374	2.8	0.92	5,513	4.4	1.57
Special mention	3	0.0	4.00	7	0.0	3.15	5	0.0	3.60
Substandard	—	—	—	—	—	—	7	0.0	15.91
Doubtful	183	0.0	71.48	12	0.0	66.67	15	0.0	78.95
Loss	117	0.0	100.00	4	0.0	100.00	3	0.0	100.00
Subtotal	2,102	0.2	1.03	2,397	2.8	0.93	5,543	4.4	1.57
Retail loans									
Normal	4,547	0.6	1.14	2,430	2.9	0.57	9,061	7.1	1.21
Special mention	1,492	0.2	6.30	1,048	1.2	3.42	638	0.5	2.40
Substandard	1,266	0.2	32.35	1,316	1.5	20.94	917	0.7	14.14
Doubtful	27,442	3.6	90.54	2,361	2.8	67.55	1,994	1.6	81.02
Loss	34,641	4.5	100.00	542	0.6	100.00	2,128	1.7	100.00
Subtotal	69,388	9.1	14.13	7,697	9.0	1.66	14,738	11.6	1.87
Overseas and other operations⁽³⁾									
Normal	122	0.0	0.71	131	0.2	0.70	167	0.1	0.60
Special mention	—	—	—	—	—	—	—	—	—
Substandard	98	0.0	57.99	52	0.1	82.54	15	0.0	29.41
Doubtful	31	0.0	93.94	98	0.1	81.67	20	0.0	90.91
Loss	214	0.1	83.92	169	0.2	82.84	245	0.2	100.00
Subtotal	465	0.1	2.63	450	0.6	2.34	447	0.3	1.60
Total allowance . . .	764,982	100.0%	22.02%	85,175	100.0%	2.75%	126,692	100.0%	3.06%

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

(2) 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.

(3) Consists of loans to customers at our overseas branches and our subsidiaries in and outside of China.

ASSETS AND LIABILITIES

Changes to the Allowance for Impairment Losses

We report net provisions for impairment losses on loans to customers on our income statement. See “Financial Information—Results of Operations for the years ended December 31, 2009, 2008 and 2007—Provisions for Impairment Losses.”

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

	<u>At and for the year ended December 31,</u>
	(in millions of RMB)
At December 31, 2006	<u>754,676</u>
Charge for the year ⁽¹⁾	21,115
Write-offs	(3,464)
Recoveries of loans written-off in previous years	21
Unwinding of discount ⁽²⁾	(5,957)
Transfer-out ⁽³⁾	(274)
Exchange differences	<u>(1,135)</u>
At December 31, 2007	<u>764,982</u>
Charge for the year ⁽¹⁾	39,858
Write-offs	(29)
Recoveries of loans written-off in previous years	22
Unwinding of discount ⁽²⁾	(2,060)
Release on disposal of non-performing loans ⁽⁴⁾	(717,531)
Transfer-out ⁽³⁾	(7)
Exchange differences	<u>(60)</u>
At December 31, 2008	<u>85,175</u>
Charge for the year ⁽¹⁾	44,289
Write-offs	(1,070)
Recoveries of loans written-off in previous years	26
Unwinding of discount ⁽²⁾	(1,724)
Exchange differences	<u>(4)</u>
At December 31, 2009	<u>126,692</u>

(1) Represents gross provisions for impairment losses (additions to the loan loss allowance), net of write-backs (releases from the loan loss allowance).

(2) Represents the interest income accrued on impaired loans as a result of subsequent increases in their present values due to the passage of time.

(3) Represents transfers out of loan loss allowance resulting from the transfer of loan assets to foreclosed assets.

(4) The amount of the allowance for impairment losses released was credited to our capital reserve.

ASSETS AND LIABILITIES

Distribution of Allowance for Impairment Losses by Assessment Methodology

The following table sets forth, at the dates indicated, the distribution of the allowance for impairment losses for our loans to customers by our assessment methodology.

	At December 31,					
	2007		2008 ⁽¹⁾		2009	
	Amount	Allowance to loans ⁽²⁾	Amount	Allowance to loans ⁽²⁾	Amount	Allowance to loans ⁽²⁾
	(in millions of RMB, except percentages)					
Collectively assessed	96,852	3.56%	42,034	1.41%	71,096	1.76%
Individually assessed	668,130	89.09	43,141	34.86	55,596	50.93
Total allowance	<u>764,982</u>	<u>22.02%</u>	<u>85,175</u>	<u>2.75%</u>	<u>126,692</u>	<u>3.06%</u>

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

(2) 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 Product Type

The following table sets forth, at the dates indicated, the distribution of the allowance for impairment losses for our loans to customers by product type.

	At December 31,								
	2007			2008 ⁽¹⁾			2009		
	Amount	% of total	Allowance to NPLs ⁽²⁾	Amount	% of total	Allowance to NPLs ⁽²⁾	Amount	% of total	Allowance to NPLs ⁽²⁾
(in millions of RMB, except percentages)									
Domestic									
Corporate loans									
Short-term loans	455,316	59.5%	94.00%	34,681	40.7%	70.99%	47,573	37.6%	102.69%
Medium- and long-term loans	237,711	31.1	89.78	39,950	46.9	53.67	58,391	46.1	93.49
Subtotal	<u>693,027</u>	<u>90.6</u>	<u>92.51</u>	<u>74,631</u>	<u>87.6</u>	<u>60.53</u>	<u>105,964</u>	<u>83.7</u>	<u>97.41</u>
Discounted bills									
Bank acceptance bills	1,858	0.2	1,955.79	2,371	2.8	3,339.44	5,066	4.0	12,665.00
Commercial acceptance bills	244	0.0	87.46	26	0.0	—	477	0.4	1,834.62
Subtotal	<u>2,102</u>	<u>0.2</u>	<u>562.03</u>	<u>2,397</u>	<u>2.8</u>	<u>3,376.06</u>	<u>5,543</u>	<u>4.4</u>	<u>8,398.48</u>
Retail loans									
Residential mortgage loans	6,907	0.9	93.01	2,997	3.5	56.86	3,591	2.8	66.64
Loans to private businesses	10,209	1.3	103.78	2,677	3.1	84.42	2,998	2.4	87.51
Personal consumption loans	5,917	0.8	113.05	355	0.4	74.74	457	0.4	100.22
Credit card balances	446	0.1	96.54	249	0.3	133.16	366	0.3	129.79
Others ⁽³⁾	45,909	6.0	100.01	1,419	1.7	116.41	7,326	5.7	482.29
Subtotal	<u>69,388</u>	<u>9.1</u>	<u>100.76</u>	<u>7,697</u>	<u>9.0</u>	<u>74.56</u>	<u>14,738</u>	<u>11.6</u>	<u>133.11</u>
Overseas and other operations⁽⁴⁾	<u>465</u>	<u>0.1</u>	<u>101.75</u>	<u>450</u>	<u>0.6</u>	<u>116.28</u>	<u>447</u>	<u>0.3</u>	<u>140.57</u>
Total allowance	<u>764,982</u>	<u>100.0%</u>	<u>93.42%</u>	<u>85,175</u>	<u>100.0%</u>	<u>63.53%</u>	<u>126,692</u>	<u>100.0%</u>	<u>105.37%</u>

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

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

(3) Consists primarily of loans to rural households.

(4) Consists of loans to customers at our overseas branches and our subsidiaries in and outside of China.

ASSETS AND LIABILITIES

Distribution of Allowance for Impairment Losses for Corporate Loans by Industry

The following table sets forth, at the dates indicated, the allowance for impairment losses for our corporate loans by industry.

	At December 31,								
	2007			2008 ⁽¹⁾			2009		
	Amount	% of total	Allowance to NPLs ⁽²⁾	Amount	% of total	Allowance to NPLs ⁽²⁾	Amount	% of total	Allowance to NPLs ⁽²⁾
(in millions of RMB, except percentages)									
Manufacturing									
Smelting and pressing of ferrous metals	7,496	1.1%	109.24%	1,796	2.5%	166.60%	2,550	2.5%	200.31%
Chemical materials and products	21,215	3.0	95.68	2,407	3.3	84.46	3,155	3.1	82.81
Textile	23,579	3.3	94.04	1,820	2.5	52.77	2,829	2.8	88.52
Metal products	12,379	1.8	92.44	1,204	1.7	78.54	1,956	1.8	107.41
Smelting and pressing of non-ferrous metals	8,736	1.3	95.01	1,046	1.4	106.95	1,595	1.5	131.60
Non-metallic mineral products	20,379	2.9	91.25	1,428	1.9	61.13	1,732	1.6	102.49
Communication equipment, computers and other electronic equipment	6,049	0.9	86.69	1,505	2.0	62.84	2,261	2.1	82.49
Food processing	40,864	5.9	95.92	1,234	1.7	82.60	1,799	1.7	104.65
General purpose machinery	7,102	1.0	92.56	631	0.8	65.87	989	0.9	121.65
Electrical machinery and equipment	4,852	0.7	93.61	456	0.6	77.68	1,105	1.0	134.92
Paper and paper products	9,106	1.3	95.02	1,153	1.5	56.83	1,823	1.7	86.98
Others ⁽³⁾	112,687	16.3	91.98	8,723	11.5	67.34	12,342	11.5	93.11
Subtotal	<u>274,444</u>	<u>39.5</u>	<u>93.49</u>	<u>23,403</u>	<u>31.4</u>	<u>71.70</u>	<u>34,136</u>	<u>32.2</u>	<u>99.10</u>
Production and supply of power, gas and water	23,382	3.4	88.13	11,589	15.5	53.00	14,318	13.5	89.14
Real estate	30,258	4.4	84.24	9,427	12.6	46.30	13,735	13.0	92.70
Transportation, logistics and postal services	13,083	1.9	86.69	5,897	7.9	75.02	9,639	9.1	104.28
Retail and wholesale	151,948	21.9	95.50	5,856	7.8	64.42	9,783	9.2	93.96
Water, environment and public utilities management	5,244	0.8	86.21	2,563	3.4	43.30	4,922	4.6	132.49
Construction	12,412	1.8	95.12	2,538	3.4	64.55	2,768	2.6	100.25
Mining	11,090	1.6	102.38	1,334	1.8	117.64	2,045	1.9	173.45
Leasing and commercial services	43,490	6.3	90.95	2,417	3.2	60.41	3,891	3.7	123.45
Information transmission, computer services and software	3,732	0.5	90.01	954	1.3	91.47	732	0.7	132.85
Others ⁽⁴⁾	123,944	17.9	90.45	8,653	11.7	56.05	9,995	9.5	80.29
Total allowance for corporate loans	<u>693,027</u>	<u>100.0%</u>	<u>92.51%</u>	<u>74,631</u>	<u>100.0%</u>	<u>60.53%</u>	<u>105,964</u>	<u>100.0%</u>	<u>97.41%</u>

(1) The amount at December 31, 2008 reflected the effect of the restructuring-related disposal.

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

(3) Consists primarily of transport equipment, processing of petroleum, coking and processing of nuclear fuel, textile, apparel, footwear and headwear.

(4) Consists primarily of education, agriculture, forestry, animal husbandry and fishery, hotels and catering.

ASSETS AND LIABILITIES

Distribution of Allowance for Impairment Losses by Geographical Region

The following table sets forth, at the dates indicated, the allocation of our allowance for impairment losses by geographical region.

	At December 31,								
	2007			2008 ⁽¹⁾			2009		
	Amount	% of total	Allowance to NPLs ⁽²⁾	Amount	% of total	Allowance to NPLs ⁽²⁾	Amount	% of total	Allowance to NPLs ⁽²⁾
(in millions of RMB, except percentages)									
Head Office ⁽³⁾	3,934	0.5%	80.73%	2,077	2.4%	97.60%	2,724	2.2%	128.07%
Yangtze River Delta	46,317	6.1	88.91	11,780	13.8	53.07	25,964	20.5	116.99
Pearl River Delta	78,043	10.2	90.71	11,887	14.0	81.66	19,161	15.1	128.70
Bohai Rim	117,016	15.3	95.83	14,824	17.4	69.64	19,286	15.2	98.19
Central China	222,733	29.1	95.56	12,442	14.6	69.25	16,245	12.8	100.99
Northeastern China	114,262	14.9	93.36	6,083	7.1	82.60	7,898	6.2	128.51
Western China	182,212	23.8	92.12	25,632	30.2	53.20	34,967	27.6	90.03
Overseas and other operations ⁽⁴⁾	465	0.1	101.75	450	0.5	116.28	447	0.4	140.57
Total allowance	764,982	100.0%	93.42%	85,175	100.0%	63.53%	126,692	100.0%	105.37%

(1) The amount at December 31, 2008 reflected the restructuring-related disposal.

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

(3) Consists primarily of allowance for impairment losses on loans originated by our head office to some of our large corporate borrowers in all geographical regions of China, discounted bills at our discounted bills department at our head office and credit card balances at our credit card center.

(4) Consists of loans to customers at our overseas branches and our subsidiaries in and outside of China.

ASSETS AND LIABILITIES

Investment Securities and Other Financial Assets

Our investment securities and other financial assets are the second largest component of our assets. Investment securities and other financial assets represented 29.5%, 32.9% and 24.7% of our total assets at December 31, 2009, 2008 and 2007, respectively.

For presentation purposes in this section of the prospectus, we classify our investment securities and other financial assets into (i) debt securities, (ii) equity instruments, and (iii) others. The following table sets forth, at the dates indicated, the components of our investment securities and other financial assets.

	At December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)						
Debt Securities ⁽¹⁾						
Restructuring-related debt securities ⁽²⁾	93,300	7.1%	758,393	32.9%	728,839	27.8%
Non-restructuring-related debt securities . . .	1,212,331	92.6	1,542,416	66.8	1,833,221	70.1
Subtotal	1,305,631	99.7	2,300,809	99.7	2,562,060	97.9
Equity instruments	1,257	0.1	558	0.0	487	0.0
Others ⁽³⁾	2,219	0.2	7,710	0.3	54,125	2.1
Total investments securities and other financial assets	1,309,107	100.0%	2,309,077	100.0%	2,616,672	100.0%

(1) Consists of debt securities, which are accounted for in our financial statements as debt securities held for trading, debt securities designated as at fair value through profit or loss, available-for-sale debt securities, held-to-maturity investments, and debt securities classified as receivables in our financial statements.

(2) Consists primarily of debt securities classified as “receivables,” which include (i) a receivable due from the MOF in connection with our restructuring-related disposal (accruing interest from January 1, 2008), and (ii) the special PRC government bond issued by the MOF as part of a recapitalization program undertaken by the PRC government in 1998, on which the annual interest rate was reduced to 2.25% effective December 1, 2008 from 7.2% as part of our financial restructuring.

(3) Consists primarily of credit notes issued by trust companies which we purchased in support of certain of our wealth management products.

Our total investment securities and other financial assets increased by 13.3% to RMB2,616.7 billion at December 31, 2009 from RMB2,309.1 billion at December 31, 2008, primarily due to our purchases of debt securities. Investment securities and other financial assets increased by 76.4% to RMB2,309.1 billion at December 31, 2008 from RMB1,309.1 billion at December 31, 2007, primarily due to our recognition of a receivable from the MOF as the consideration for the non-performing assets disposed of in connection with our restructuring and an increase in our holding of debt securities. See “Our History, Restructuring and Operational Reform—Financial Restructuring.”

ASSETS AND LIABILITIES

Debt Securities

Debt securities are the largest component of our investment securities and other financial assets. We categorize our holding of debt securities into restructuring-related and non-restructuring-related.

Restructuring-related Debt Securities

Our restructuring-related debt securities consist primarily of debt securities classified as “receivables,” which include (i) a receivable due from the MOF in connection with our restructuring-related disposal (accruing interest at an annual rate of 3.3% from January 1, 2008), and (ii) the special PRC government bond issued by the MOF with a maturity of 30 years as part of a recapitalization program undertaken by the PRC government in 1998, on which the annual interest rate was reduced to 2.25% effective December 1, 2008 from 7.2% as part of our financial restructuring. The following table sets forth, at the dates indicated, the components of our restructuring-related debt securities.

	At December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
MOF receivable	—	—%	665,093	87.7%	635,539	87.2%
Special PRC government bond	93,300	100.0	93,300	12.3	93,300	12.8
Total restructuring-related debt securities	<u>93,300</u>	<u>100.0%</u>	<u>758,393</u>	<u>100.0%</u>	<u>728,839</u>	<u>100.0%</u>

In connection with our financial restructuring-related disposal of non-performing loans and certain other assets, we recorded a special receivable in an amount of RMB665.1 billion from the MOF in 2008. Interest is payable on the outstanding balance of the MOF receivable at an annual rate of 3.3%, accrued from January 1, 2008. See “Our History, Restructuring and Operational Reform—Financial Restructuring—Disposal of Non-performing Loans and Other Impaired Assets” and “Financial Information—Financial Impact of Our Restructuring.” The balance of the MOF receivable was RMB635.5 billion at December 31, 2009.

In 1998, as part of the PRC government’s efforts to improve the capital adequacy of the Big Four commercial banks, the MOF issued to us a 30-year special PRC government bond in an aggregate principal amount of RMB93.3 billion, and used the proceeds as a capital contribution to us. The bond bore an interest rate of 7.2% per annum prior to December 1, 2008. From the issuance date of the bond to November 30, 2008, we were required to make an annual payment to the MOF in the same amount as the annual interest accrued on the bond. Accordingly, the interest on this special PRC government bond was effectively offset by the annual payment and no cash settlement was made between us and the MOF. In connection with our financial restructuring, effective December 1, 2008, our obligations under the MOF special levy were terminated and the MOF began to pay interest on the bond at a reduced rate of 2.25% per annum. See “Our History, Restructuring and Operational Reform—Financial Restructuring.”

ASSETS AND LIABILITIES

Non-restructuring-related Debt Securities

Our non-restructuring-related debt securities consist of listed and unlisted debt securities issued primarily by governments, central banks, policy banks, other banks and financial institutions, and corporations. Non-restructuring-related securities represented 70.1%, 66.8% and 92.6% of our investment securities and other financial assets portfolio at December 31, 2009, 2008 and 2007, respectively. The following table sets forth, at the dates indicated, our non-restructuring-related debt securities by issuer type.

	At December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)						
Government bonds	374,323	30.9%	486,457	31.5%	535,291	29.2%
PBOC bills	401,756	33.1	578,927	37.5	648,413	35.4
Bonds issued by PRC policy banks	315,807	26.0	366,868	23.8	408,363	22.3
Bonds issued by other banks and financial institutions	66,358	5.6	53,520	3.5	81,049	4.4
Bonds issued by entities in public sectors and quasi-governments	34,277	2.8	22,503	1.5	40,302	2.2
Corporate bonds ⁽¹⁾	19,810	1.6	34,141	2.2	119,803	6.5
Total non-restructuring-related debt securities	<u>1,212,331</u>	<u>100.0%</u>	<u>1,542,416</u>	<u>100.0%</u>	<u>1,833,221</u>	<u>100.0%</u>

(1) Consists primarily of corporate bonds issued by large PRC corporate entities with relatively high credit rating (rated by PRC rating agencies).

Our non-restructuring-related debt securities increased by 18.9% to RMB1,833.2 billion at December 31, 2009 from RMB1,542.4 billion at December 31, 2008, which in turn increased by 27.2% from RMB1,212.3 billion at December 31, 2007. Government bonds, PBOC bills and bonds issued by PRC policy banks are the three largest components in our non-restructuring-related debt securities portfolio and represented, in aggregate, 86.9%, 92.8% and 90.0% of our total non-restructuring-related debt securities at December 31, 2009, 2008 and 2007, respectively.

The corporate bonds increased, as a percentage of our non-restructuring debt securities, to 6.5% at December 31, 2009 from 2.2% at December 31, 2008 and 1.6% at December 31, 2007, primarily due to our increased holding of debt securities with high credit ratings to refine our investment portfolio to seek higher returns.

PBOC bills, bonds issued by PRC policy banks and government bonds increased by 44.1%, 16.2% and 30.0%, respectively, from December 31, 2007 to December 31, 2008, reflecting the increase in deposits from customers and the effect of our financial restructuring. These increases reflected our increased investments in US and other sovereign debt instruments with high credit ratings during the financial crisis to conserve the value of our investments.

ASSETS AND LIABILITIES

The following table sets forth, at the dates indicated, our non-restructuring-related debt securities by the domicile of the issuer.

	At December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
PRC	1,115,520	92.0%	1,409,283	91.4%	1,753,253	95.6%
Outside PRC	96,811	8.0	133,133	8.6	79,968	4.4
Total non-restructuring-related debt securities	<u>1,212,331</u>	<u>100.0%</u>	<u>1,542,416</u>	<u>100.0%</u>	<u>1,833,221</u>	<u>100.0%</u>

Debt securities issued by PRC issuers are the largest component of our non-restructuring-related debt securities, representing more than 90% of our non-restructuring-related debt securities at December 31, 2009, 2008 and 2007, respectively.

The following table sets forth, at the dates indicated, our non-restructuring-related debt securities by currency.

	At December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
RMB-denominated	1,113,911	91.9%	1,407,648	91.3%	1,748,548	95.4%
U.S. dollar-denominated	90,770	7.5	128,151	8.3	76,120	4.1
Other foreign currency-denominated	7,650	0.6	6,617	0.4	8,553	0.5
Total non-restructuring-related debt securities	<u>1,212,331</u>	<u>100.0%</u>	<u>1,542,416</u>	<u>100.0%</u>	<u>1,833,221</u>	<u>100.0%</u>

Our debt securities denominated in foreign currencies decreased by 37.2% to RMB84.7 billion at December 31, 2009 from RMB134.8 billion at December 31, 2008, primarily due to (i) our sales of a portion of our foreign currency-denominated debt securities as the market prices for these debt securities were rising, and (ii) our close monitoring of the size of our debt securities denominated in foreign currencies to lower our exchange risk exposure.

Our debt securities denominated in foreign currencies increased by 36.9% to RMB134.8 billion at December 31, 2008 from RMB98.4 billion at December 31, 2007, primarily due to our investments, with increased foreign currency funding as a result of the Huijin capital contribution, in US sovereign debt and commercial paper issued by foreign financial institutions with high credit ratings. The balance of our debt securities denominated in foreign currencies at December 31, 2008 also reflected increased allowance for impairment losses as a result of our adoption of a conservative approach to provisioning in light of the global financial crisis and a significant drop in the fair value of foreign currency-denominated debt securities.

ASSETS AND LIABILITIES

The following table sets forth, at the date indicated, the balance of our non-restructuring-related debt securities by remaining maturity.

At December 31, 2009						
Overdue	Due less than 3 months	Due between 3 months to 1 year	Due over 1 year up to 5 years	Due more than 5 years	Total	
(in millions of RMB, except percentages)						
Government bonds	—	28,191	84,834	248,746	173,520	535,291
PBOC bills	—	280,000	259,296	109,117	—	648,413
Bonds issued by PRC policy banks	—	12,272	43,595	251,571	100,925	408,363
Bonds issued by other banks and financial institutions	—	1,916	2,665	37,439	39,029	81,049
Bonds issued by entities in public sectors and quasi-governments	—	6,449	264	12,207	21,382	40,302
Corporate bonds ⁽¹⁾	7	1,497	32,767	61,965	23,567	119,803
Total non-restructuring-related debt securities	7	330,325	423,421	721,045	358,423	1,833,221

(1) Consists primarily of corporate bonds issued by large PRC corporate entities with relatively high credit ratings (rated by PRC rating agencies).

The following table sets forth, at the dates indicated, a breakdown of our non-restructuring-related debt securities between fixed interest rate and floating interest rate.

	At December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)						
Fixed interest rate	1,009,076	83.2%	1,337,087	86.7%	1,597,889	87.2%
Floating interest rate	203,255	16.8	205,329	13.3	235,332	12.8
Total non-restructuring-related debt securities	1,212,331	100.0%	1,542,416	100.0%	1,833,221	100.0%

Equity Instruments

Our equity instruments consist primarily of legacy equity holdings acquired by us in earlier years. Equity instruments decreased by 12.7% to RMB487 million at December 31, 2009 from RMB558 million at December 31, 2008, primarily due to our continued efforts to dispose of these equity instruments to realize their value. Equity instruments decreased by 55.6% to RMB558 million at December 31, 2008 from RMB1,257 million at December 31, 2007, primarily due to the restructuring-related disposal.

Investment Securities and Other Financial Assets by Investment Intention

Our investment securities and other financial assets are classified into (i) financial assets at fair value through profit or loss, (ii) available-for-sale financial assets, (iii) held-to-maturity investments and (iv) receivables, primarily based on our intentions with respect to these assets and pursuant to the requirements of revised IAS 39. Financial assets at fair value through profit or loss are (i) financial assets held for trading purposes and (ii) financial assets we designated upon initial recognition to be

ASSETS AND LIABILITIES

carried at fair value through profit or loss in accordance with the fair-value option available under IAS 39. Held-to-maturity investments are non-derivative investments with fixed or determinable payments and fixed maturities which we intend and are able to hold to maturity. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market or are not actively traded. Available-for-sale financial assets are non-derivative financial assets that are not designated or classified as financial assets at fair value through profit or loss, receivables or held-to-maturity investments.

The following table sets forth, at the dates indicated, the components of our investment securities and other financial assets.

	At December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)						
Financial assets at fair value through profit or loss	17,205	1.3%	40,017	1.7%	112,176	4.3%
Available-for-sale financial assets	529,343	40.4	800,205	34.6	730,382	27.9
Held-to-maturity financial assets	532,816	40.7	576,323	25.0	883,915	33.8
Receivables	229,743	17.6	892,532	38.7	890,199	34.0
Total	1,309,107	100.0%	2,309,077	100.0%	2,616,672	100.0%

At December 31, 2009, our financial assets at fair value through profit or loss nearly tripled to RMB112.2 billion from RMB40.0 billion at December 31, 2008, primarily as a result of our increased marketing efforts with respect to our wealth management products, the sales proceeds from which were invested in financial assets designated as at fair value through profit or loss. Our available-for-sale financial assets decreased by 8.7% to RMB730.4 billion at December 31, 2009 from RMB800.2 billion at December 31, 2008, and our held-to-maturity financial assets increased by 53.4% to RMB883.9 billion from RMB576.3 billion at December 31, 2008, primarily as a result of our adjustments to our investment portfolio to reduce our interest rate risk, reflecting the market expectations of interest rate trends. Our receivables slightly decreased to RMB890.2 billion at December 31, 2009. At December 31, 2008, receivables, as a percentage in our investment portfolio, increased significantly to 38.7% from 17.6% at December 31, 2007, primarily attributable to the MOF receivable of RMB665.1 billion in connection with our financial restructuring.

Carrying Value and Fair Value

All investment securities classified as available-for-sale and financial assets at fair value through profits or loss are stated at fair value. The following table sets forth, at the dates indicated, the carrying value and the fair value of the receivables and held-to-maturity securities in our investment portfolio.

	At December 31,					
	2007		2008		2009	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
(in millions of RMB)						
Receivable	229,743	226,929	892,532	896,889	890,199	891,458
Held-to-maturity securities	532,816	543,994	576,323	608,739	883,915	894,861

ASSETS AND LIABILITIES

Investment Concentration

The following table sets forth, at the date indicated, our investment securities and other financial assets whose carrying value exceeded 10.0% of our shareholders' equity.

At December 31, 2009				
	Carrying value	% of total investment securities and other financial assets	% of total shareholders' equity ⁽¹⁾	Market/fair value
(in millions of RMB, except percentage)				
The MOF	1,210,108	46.3%	353.0%	1,216,287
The PBOC	648,413	24.8	189.1	652,001
China Development Bank ⁽²⁾	246,978	9.4	72.0	249,703
Agricultural Development Bank of China ⁽³⁾	102,671	3.9	29.9	103,204
The Export-Import Bank of China ⁽³⁾	58,714	2.2	17.1	58,825
Total	2,266,884	86.6%	661.1%	2,280,020

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

(2) Owned by the PRC Ministry of Finance (51.3%) and Central Huijin Investment Ltd. (48.7%).

(3) A policy bank wholly owned by the PRC government.

Bonds Issued by Financial Institutions

Bonds issued by financial institutions in our investment portfolio consist primarily of debt securities issued by PRC policy banks, commercial banks and other financial institutions. At December 31, 2009, we held bonds issued by financial institutions in an aggregate amount of RMB489.4 billion, of which RMB408.4 billion was in bonds issued by policy banks, and RMB81.0 billion in bonds issued by commercial banks and other financial institutions. A majority of the bonds issued by financial institutions in our investment portfolio consist of bonds issued by PRC policy banks. The table sets forth below, at the date indicated, the ten largest bonds issued by financial institutions.

At December 31, 2009				
	Principal amount (in millions of RMB)	Annual interest rate	Maturity date	Allowance
2006 Policy bank bonds . . .	9,250	3.00%	October 18, 2011	—
2008 Policy bank bonds . . .	7,660	4.83%	March 4, 2015	—
2004 Policy bank bonds . . .	7,380	One-year time deposit interest rate +0.76%	March 5, 2014	—
1999 Policy bank bonds . . .	6,290	One-year time deposit interest rate +0.999%	January 15, 2010	—
2007 Policy bank bonds . . .	6,120	4.13%	August 20, 2017	—
2005 Policy bank bonds . . .	5,965	One-year time deposit interest rate +0.72%	April 27, 2015	—
2007 Policy bank bonds . . .	5,615	4.35%	August 30, 2014	—
2004 Policy bank bonds . . .	5,570	One-year time deposit interest rate +1.53%	June 1, 2011	—
2007 Policy bank bonds . . .	5,280	One-year time deposit interest rate +0.61%	February 19, 2013	—
2007 Policy bank bonds . . .	5,090	4.94%	December 20, 2014	—

Other Components of Our Assets

Other components of our assets consist primarily of (i) cash and balances with central banks, (ii) deposits with banks and other financial institutions, (iii) placements with banks and other financial institutions, and (iv) financial assets held under resale agreements.

ASSETS AND LIABILITIES

Cash and balances with central banks consist primarily 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. Surplus deposit reserves are deposits with the PBOC, in excess of statutory deposit reserves which we maintain for settlement and clearing purposes. At December 31, 2009, our cash and balances with central banks amounted to RMB1,517.8 billion, an increase of 32.5% from RMB1,145.9 billion at December 31, 2008, which in turn increased by 22.3% from RMB937.0 billion at December 31, 2007. The overall increase was primarily due to the growth of statutory deposit reserves, which increased in line with the increase in deposits from customers and consecutive increases in minimum deposit reserve ratios by the PBOC.

Deposits with banks and other financial institutions consist primarily of our account balances maintained at other banks and financial institutions for settlement and clearance purposes and negotiated deposits with other banks. Deposits with banks and other financial institutions, net of the allowance for impairment losses, slightly decreased by 1.6% to RMB61.7 billion at December 31, 2009 from RMB62.7 billion at December 31, 2008. Deposits with banks and other financial institutions, net of the allowance for impairment losses, significantly increased to RMB62.7 billion at December 31, 2008 from RMB16.4 billion at December 31, 2007, primarily due to an increase in our foreign currency deposits with other banks and financial institutions as a result of the Huijin capital contribution.

Placements with banks and other financial institutions consist primarily of inter-bank lending. Our placements with banks and other financial institutions, net of the allowance for impairment losses, increased by 11.1% to RMB49.4 billion at December 31, 2009 from RMB44.5 billion at December 31, 2008, primarily due to increased placements with foreign banks and overseas branches of Chinese banks. Placements with banks and other financial institutions, net of the allowance for impairment losses, decreased by 15.3% to RMB44.5 billion at December 31, 2008 from RMB52.5 billion at December 31, 2007, primarily as a result of the increased allocation of our funds to loans and investments which are higher-yielding.

Financial assets held under resale agreements increased by 70.9% to RMB421.1 billion at December 31, 2009 from RMB246.4 billion at December 31, 2008, primarily due to an increase in PRC government bonds and special PRC government bonds under resale agreements we entered into with the PBOC to earn relatively higher returns. Financial assets held under resale agreements increased by 70.1% to RMB246.4 billion at December 31, 2008 from RMB144.8 billion at December 31, 2007, primarily due to an increase in resale agreements we entered into with other banks and financial institutions, reflecting our increased liquidity.

LIABILITIES AND SOURCES OF FUNDS

At December 31, 2009, our total liabilities amounted to RMB8,539.7 billion, an increase of 27.0% from RMB6,723.8 billion at December 31, 2008, which in turn increased by 11.4% from RMB6,033.1 billion at December 31, 2007. Deposits from customers have historically been our primary source of funding and represented 87.8%, 90.7% and 87.6% of our total liabilities, at December 31, 2009, 2008 and 2007, respectively.

ASSETS AND LIABILITIES

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

	At December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Deposits from customers	5,287,194	87.6%	6,097,428	90.7%	7,497,618	87.8%
Deposits from banks and other financial institutions	296,618	4.9	289,772	4.3	573,949	6.7
Placements from banks and other financial institutions	30,375	0.5	34,131	0.5	26,312	0.3
Financial assets sold under repurchase agreements	73,391	1.2	35,090	0.5	100,812	1.2
Debt securities issued						
Subordinated bonds	—	—	—	—	49,955	0.6
Certificates of deposit	4,154	0.1	5,150	0.1	5,224	0.1
Subtotal	4,154	0.1	5,150	0.1	55,179	0.7
Borrowings from central bank	150,867	2.5	314	0.0	58	0.0
Other liabilities ⁽¹⁾	190,512	3.2	261,925	3.9	285,735	3.3
Total liabilities	6,033,111	100.0%	6,723,810	100.0%	8,539,663	100.0%

(1) Consists of financial liabilities designated as at fair value through profit or loss, financial liabilities held for trading, derivative financial liabilities, accrued staff costs, tax liabilities and other liabilities.

Deposits from Customers

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

	At December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Domestic						
Corporate deposits⁽¹⁾						
Time	464,581	8.8%	524,673	8.6%	733,303	9.8%
Demand	1,646,261	31.1	1,639,201	26.9	2,167,944	28.9
Subtotal	2,110,842	39.9	2,163,874	35.5	2,901,247	38.7
Retail deposits						
Time	1,617,890	30.6	2,108,105	34.6	2,373,111	31.6
Demand	1,363,547	25.8	1,628,813	26.7	1,992,276	26.6
Subtotal	2,981,437	56.4	3,736,918	61.3	4,365,387	58.2
Other deposits⁽²⁾	184,367	3.5	187,267	3.0	219,494	2.9
Overseas and other operations⁽³⁾	10,548	0.2	9,369	0.2	11,490	0.2
Total deposits from customers	5,287,194	100.0%	6,097,428	100.0%	7,497,618	100.0%

(1) Consists of deposits from corporate customers, government authorities and other organizations.

(2) Consists of margin deposits and funds deposited with us for remittance.

(3) Consists of deposits from customers at our overseas branches and our subsidiaries in and outside of China.

ASSETS AND LIABILITIES

At December 31, 2009, our total deposits from customers amounted to RMB7,497.6 billion, an increase of 23.0% from RMB6,097.4 billion at December 31, 2008, primarily reflecting (i) increased liquidity resulting from the moderately loose monetary policy and the increase deposits of the loan proceeds from our customers and (ii) our marketing efforts leveraging on our branch network and customer base to tap the opportunities from an overall increase in household income in China.

Our total deposits from customers increased by 15.3% to RMB6,097.4 billion at December 31, 2008 from RMB5,287.2 billion at December 31, 2007, primarily due to an increase in our retail deposits. Our domestic retail deposits increased both in absolute terms and as a percentage of our total deposits to RMB3,736.9 billion and 61.3% at December 31, 2008 from RMB2,981.4 billion and 56.4% at December 31, 2007, respectively, primarily due to an increase in time deposits from our retail customers. This increase primarily reflected (i) the preference of our retail customers for lower risk investments during the downturn of China's securities markets and the decline of China's real estate market, and (ii) our increased marketing efforts to maintain our leading position in the deposit-taking business, leveraging our branch network and customer base.

At December 31, 2009, our corporate deposits and retail deposits represented 38.7% and 58.2% of our total deposits from customers, respectively. Our corporate deposits increased, as a percentage of our total deposits, to 38.7% at December 31, 2009 from 35.5% at December 31, 2008, primarily reflecting the combined effect of our increased marketing efforts with respect to corporate deposits and the increased liquidity in the market. Corporate deposits decreased, as a percentage of our total deposits, to 35.5% at December 31, 2008 from 39.9% at December 31, 2007, primarily due to a slow increase in corporate deposits, reflecting the impact of the global financial crisis and the slowdown of China's economic growth.

At December 31, 2009, our time deposits and demand deposits represented 41.4% and 55.5% of our total deposits from customers, respectively. Demand deposits increased, as a percentage of our total deposits, to 55.5% at December 31, 2009 from 53.6% at December 31, 2008, primarily due to the preference of our customers for demand deposit, reflecting the market expectations of interest rate trends and the recovery of China's capital markets. At December 31, 2008, our time deposits and demand deposits represented 43.2% and 53.6% of our total deposits, respectively. Demand deposits decreased, as a percentage of our total deposits, to 53.6% at December 31, 2008 from 56.9% at December 31, 2007, primarily reflecting the preference of our retail customers for lower risk investments during the downturn of China's securities markets and the decline of China's real estate market.

ASSETS AND LIABILITIES

Distribution of Deposits by Geographical Region

We classify deposits geographically based on the location of the branch taking the deposits. There is generally a high correlation between the location of the depositor and the location of the branch taking the deposit, except in the case of our head office, which books deposits from certain large corporate customers. The following table sets forth, at the dates indicated, the distribution of our deposits from customers by geographical region.

	At December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Head Office	55,394	1.1%	33,977	0.6%	44,568	0.6%
Yangtze River Delta	1,217,521	23.0	1,399,196	22.8	1,748,898	23.3
Pearl River Delta	810,854	15.3	922,585	15.1	1,078,898	14.4
Bohai Rim	908,901	17.2	1,027,459	16.9	1,348,333	18.0
Central China	861,145	16.3	1,028,567	16.9	1,214,938	16.2
Northeastern China	297,593	5.6	342,851	5.6	407,411	5.4
Western China	1,125,238	21.3	1,333,424	21.9	1,643,082	21.9
Overseas and other operations ⁽¹⁾	10,548	0.2	9,369	0.2	11,490	0.2
Total deposits from customers	5,287,194	100.0%	6,097,428	100.0%	7,497,618	100.0%

(1) Consists of deposits from customers at our overseas branches and our subsidiaries in and outside of China.

Distribution of Deposits by Remaining Maturity

The following table sets forth, at the date indicated, the distribution of our deposits from customers by remaining maturity.

	At December 31, 2009											
	Repayable on demand		Due less than 3 months		Due over 3 months up to 12 months		Due over 1 year up to 5 years		Due more than 5 years		Total	% of total deposits
	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits	Amount	% of total deposits		
	(in millions of RMB, except percentages)											
Domestic												
Corporate deposits ⁽¹⁾	2,273,615	30.3%	184,173	2.5%	335,403	4.5%	107,556	1.4%	500	0.0%	2,901,247	38.7%
Retail deposits	2,127,561	28.4	653,004	8.7	1,214,157	16.2	370,657	5.0	8	0.0	4,365,387	58.2
Other deposits ⁽²⁾	90,268	1.2	74,839	1.0	51,802	0.7	1,380	0.0	1,205	0.0	219,494	2.9
Overseas and other operations⁽³⁾	905	0.0	9,788	0.1	797	0.0	—	—	—	—	11,490	0.2
Total deposits from customers	4,492,349	59.9%	921,804	12.3%	1,602,159	21.4%	479,593	6.4%	1,713	0.0%	7,497,618	100.0%

(1) Consists of deposits from corporate customers, government authorities and other organizations.

(2) Consists of margin deposits and funds deposited with us for remittance.

(3) Consists of deposits from customers at our overseas branches and our subsidiaries in and outside of China.

ASSETS AND LIABILITIES

Distribution of Deposits by Currency

The following table sets forth, at the dates indicated, the distribution of our deposits from customers by currency.

	At December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)						
Renminbi deposits	5,212,853	98.6%	6,028,548	98.9%	7,404,694	98.8%
U.S. dollar deposits	55,114	1.0	47,627	0.8	69,921	0.9
Other foreign currency deposits	19,227	0.4	21,253	0.3	23,003	0.3
Total deposits from customers	<u>5,287,194</u>	<u>100.0%</u>	<u>6,097,428</u>	<u>100.0%</u>	<u>7,497,618</u>	<u>100.0%</u>

Distribution of Corporate Deposits by Size

The following table sets forth, at the date indicated, the distribution of our deposits, in terms of total balance of deposits from a single customer, from corporate customers by size.

	At December 31,					
	2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)						
Up to RMB10 million	685,472	32.5%	686,258	31.7%	739,549	25.5%
Over RMB10 million to RMB100 million	717,122	34.0	696,136	32.2	953,447	32.9
Over RMB100 million	708,248	33.5	781,480	36.1	1,208,251	41.6
Total corporate deposits	<u>2,110,842</u>	<u>100.0%</u>	<u>2,163,874</u>	<u>100.0%</u>	<u>2,901,247</u>	<u>100.0%</u>

At December 31, 2009, corporate deposits with total balances over RMB10 million from a single customer represented 74.5% of our total corporate deposits, primarily reflecting our increased marketing efforts to large corporate customers.

Other Components of Our Liabilities

Other components of our liabilities consist primarily of (i) deposits from banks and other financial institutions, (ii) placements from banks and other financial institutions, (iii) financial assets sold under repurchase agreements, (iv) debt securities issued, and (v) borrowings from central bank.

Deposits from banks and other financial institutions increased by 98.1% to RMB573.9 billion at December 31, 2009 from RMB289.8 billion at December 31, 2008, primarily attributable to an increase in deposits from securities firms and investment funds which are our customers of custody and agency services, as a result of the recovery of China's securities markets and increased liquidity. Deposits from banks and other financial institutions decreased by 2.3% to RMB289.8 billion at December 31, 2008 from RMB296.6 billion at December 31, 2007, primarily due to a decrease in deposits from securities firms and investment funds as a result of the adverse condition of China's securities markets in 2008.

ASSETS AND LIABILITIES

Placements from banks and other financial institutions consist primarily of money market borrowings. At December 31, 2009, placements from banks and other financial institutions amounted to RMB26.3 billion, a decrease of 22.9% from RMB34.1 billion at December 31, 2008, primarily due to our decreased demand as a result of increased liquidity. Placements from banks and other financial institutions increased by 12.4% to RMB34.1 billion at December 31, 2008 from RMB30.4 billion at December 31, 2007, primarily due to our increased liquidity needs.

Financial assets sold under repurchase agreements significantly increased to RMB100.8 billion at December 31, 2009 from RMB35.1 billion at December 31, 2008, primarily due to an increase in transaction volumes of repurchases of bills. Financial assets sold under repurchase agreements decreased by 52.2% to RMB35.1 billion at December 31, 2008 from RMB73.4 billion at December 31, 2007, primarily due to a decrease in our demand for short-term borrowings reflecting our strengthened liquidity management.

Our debt securities issued consist primarily of (i) certificates of deposit we issued from time to time, and (ii) subordinated bonds we issued in May 2009. At December 31, 2009, our total debt securities issued significantly increased to RMB55.2 billion from RMB5.2 billion at December 31, 2008, primarily as a result of our issuance of subordinated bonds in an aggregate nominal value of RMB50 billion in May 2009. Our total debt securities issued increased by 24.0% to RMB5.2 billion at December 31, 2008 from RMB4.2 billion at December 31, 2007, primarily due to an increase in certificates of deposit issued.

Our borrowings from central bank decreased to RMB58 million at December 31, 2009 from RMB314 million at December 31, 2008. Borrowings from central bank decreased to RMB314 million at December 31, 2008 from RMB150.9 billion at December 31, 2007, primarily as a result of the reduction in our borrowings from the PBOC by RMB150.6 billion as consideration for the non-performing assets disposed of as part of our financial restructuring.